

Dukakis's Mainstream Message

Emerging Foreign Policy Emphasizes Allies, Continuity

By T.R. Reid
Washington Post Service
WASHINGTON — Governor Michael S. Dukakis has set forth a blueprint for a Democratic Party foreign policy that would emphasize the U.S. role in international alliances but would avoid "going it alone" in making policy affecting Europe and the Americas.

Governor Dukakis spoke to the Atlantic Council, a private organization of Americans who have professional or academic interest in the U.S.-European relationship. In his speech and in answer to questions, the Massachusetts governor repeatedly set forth his military priorities: He wants to enhance U.S. conventional — that is, non-nuclear — military strength. And he would pay for that by abandoning some nuclear weapon systems, including the proposed Midgerton missile and a mobile version of the MX missile system.

In a sentence that got wide play during the Democratic debates, and which his staff intended to be the "sound bite" that television news programs would use to amplify the speech, he declared: "We don't need SDI; we need CDI." We need to follow through on the Conventional Defense Initiative.

Investments Swell U.S. Trade Deficit

Compiled by Our Staff From Dispatches
WASHINGTON — The deficit in the broadest measure of U.S. trade widened unexpectedly in the first quarter of 1988 as a declining gap in merchandise transactions was offset by the first shortfall in investment earnings in 30 years, the government said Wednesday.

The current account deficit jumped 18.6 percent in the first quarter of the year. It rose to about \$39.8 billion from \$33.5 billion in the last quarter of 1987. The increase surprised analysts, who had been expecting improvement in this trade measurement. The current account is the most important of all the trade statistics released by the government because it covers not only trade in merchandise but also in the services category, which reflects primarily the flow of investment earnings between countries.

Blast Kills 5 Soldiers In Ulster

Compiled by Our Staff From Dispatches
BELFAST — Five British soldiers were killed Wednesday when a bomb planted in a truck exploded, the police said.

Kiosk

Pakistan Sets Islamic Code

ISLAMABAD, Pakistan (Reuters) — President Mohammed Zia ul-Haq decreed Wednesday that sharia, the Islamic legal code, would take effect immediately as the supreme law in Pakistan.



Prime Minister Turgut Ozal of Turkey speaking to reporters Wednesday at the end of a three-day official visit to Greece. Page 2.

General News
Archbishop sets stage for a Roman Catholic schism. Page 2.
France and Iran said they would re-establish diplomatic relations, after months of hostility. Page 2.

Business/Finance
U.S. retail sales slowed in May, but factory production posted another gain. Page 13.
The dollar remained firm in European and early U.S. trading. Page 19.

Special Report
Prime Minister Ingvar Carlsson of Sweden is courting the south and ecologist vote in his election campaign. Pages 9-11.

Down	Close	The Dollar
		In New York
		DM 1.7543
		FF 1.787
		Yen 128.325
Up		FF 5.9125



Baton-wielding West German riot policemen charge a crowd of soccer fans in Düsseldorf on Wednesday after several fights broke out.

Police Halt Soccer Violence in Düsseldorf

DUSSELDORF — Police charged hundreds of marauding West German soccer fans in the center of Düsseldorf on Wednesday as violence erupted after the Netherlands beat England, 3-1, in the European championship.

About 2,500 police were patrolling the Old Town and the area around the station where 130 hooligans — mostly English — were detained on Tuesday for assault and smashing property.

George Foulkes, the Labor spokesman, said Wednesday that "it is more trouble than it's worth to allow this team to continue in the European competition. Mrs. Thatcher's policy has been a failure and she must now recognize that the time has come to blow the whistle on England playing in Europe."

Mrs. Thatcher told Parliament Tuesday that she regarded the clashes in Düsseldorf and in other West German cities over the weekend as a "disgrace to civilized society."

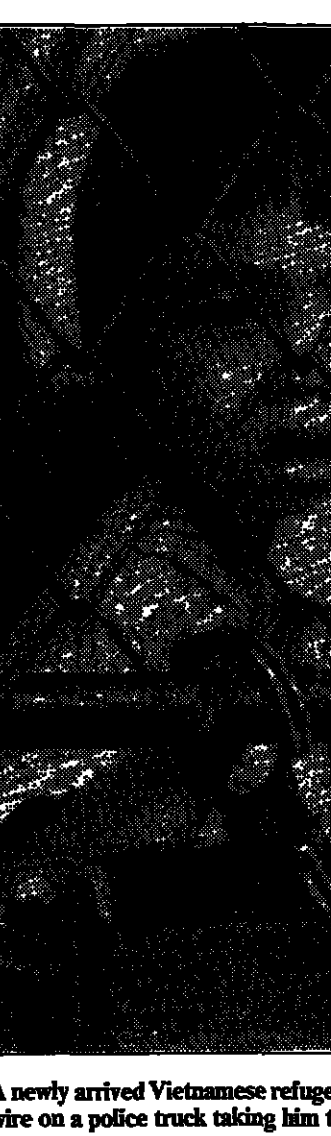
Dalai Lama Sees Rights For Chinese

STRASBOURG, France — The Dalai Lama, exiled leader of the Tibetan people, said Wednesday for the first time that he recognized China's right to handle Tibet's foreign affairs and maintain troops on Tibetan soil.

His remarks were in a speech prepared for delivery to the European Parliament. The speech was canceled because of fears his appearance would offend China, but the Buddhist spiritual leader had the speech distributed.

Hong Kong Hardening Rules on Boat People

HONG KONG — Deluged by increasing numbers of Vietnamese boat people, Hong Kong announced a policy shift Wednesday under which it will deny political refugee status to the majority of newcomers, beginning Thursday.



A newly arrived Vietnamese refugee boy looks out from behind the wire on a police truck taking him to a Hong Kong refugee center.

Observers say Western powers are unlikely to reestablish diplomatic ties with Hanoi until Vietnamese troops, estimated at 120,000, are withdrawn from Cambodia. Troop withdrawal is scheduled to begin next week but will not be completed until the 1990s.

Big New Ariane Rocket Has Successful Launch

KOUROU, French Guiana — The European Space Agency launched the first of a powerful new generation of Ariane rockets on Wednesday, successfully placing three satellites into orbit.

The space shot was designed by Arianespace, the European Space Agency's commercial arm, to demonstrate the readiness of the Ariane-4, Europe's biggest and most versatile rocket.

For Irish Women, Even Talk of Abortions Is Long Distance

By Francis X. Clines
New York Times Service

DUBLIN — Irish women are lately finding a critical telephone number scribbled on the walls of public rest rooms, as if the need for abortion counseling were to be considered a scrupulous underworld indulgence.

In a way it is, for the Irish Republic's highest courts have ruled that the national ban against abortion, firmly established in a 1983 constitutional referendum, extends beyond the medical procedure to cover counseling information as well.

Most particularly, the courts have denied Irish counselors what had been their remaining resort for pregnant women curious about abortion: referral to clinics in Britain, where abortion has been legal for more than 20 years.

The result, in effect since a High Court ruling last year, has clearly been a blow to Irish feminists. They are demoralized that some women must skulk about for bootlegged information and the ever more precious telephone number in London, where there is special counseling for Irish women who arrive at an estimated rate of up to 200 a week for the abortions denied at home.

U.S. Booster Is Tested
Meanwhile, John Noble Wilford of the New York Times reported from New York: The fourth and next-to-last test firing of the redesigned U.S. shuttle booster rocket was conducted successfully Tuesday in Utah, brightening prospects for resuming space shuttle flights in August or September.

See ARIANE, Page 8

France and Iran Renew Ties After Months of Hostility

By James M. Markham

PARIS — After 11 months of confrontation, hostility and secret negotiations, France and Iran announced Wednesday that they would re-establish diplomatic relations Thursday.

The announcement came five weeks after the last three French hostages held by pro-Iranian terrorists in Lebanon were freed in what was seen here as a spectacular attempt by Jacques Chirac, then the prime minister, to win France's presidential election.

But it fell to the victor in the May 8 election, President François Mitterrand, to reap the benefits of the deal that Mr. Chirac struck with Iran on the hostages. Well-informed Arab diplomats said that Mr. Chirac authorized payments of at least \$6 million to three groups of kidnappers to secure the three hostages' freedom.

A senior French official said that the Chirac team left no written record of any other commitments to Iran, and he insisted that two days of recent negotiations with the Iranians in Geneva concerned only the technical modalities of re-establishing diplomatic relations, which were broken in July.

At that time, Wahid Gordji, an Iranian Embassy employee, held up in the Iranian mission in Paris, refusing to answer questions about his suspected role in a savage wave of terrorist bombings in the French capital in September 1986.

The Chirac government allowed Mr. Gordji to leave France on Nov. 29 and, simultaneously, two French hostages were sprung from captivity in Lebanon.

Earlier this month, Ali Reza Moayeri, a deputy prime minister, said that before agreeing to re-establish relations, Iran was demanding the final payments on a \$1 billion loan made to France in 1974, a commitment by France to curb "anti-revolutionary" Iranian elements in the country, and French neutrality in the Gulf.

But French officials said that Mr. Moayeri's remarks were for Iranian domestic consumption and that the so-called Eurodif loan matter had still not been settled. France has paid back \$630 million of the loan. But the two sides still disagree how much interest must be repaid, and France has financial claims of its own against Iran.

France has checked the activities of anti-regime Iranian exiles, but officials said that Paris had no intention of limiting its extensive arms sales to Iraq. In announcing the re-establishment of relations, a Foreign Ministry official stressed that the move "does not imply any change in French policy toward the problems of the region."

As prime minister, Mr. Chirac reportedly told the Iranians that the re-establishment of relations would permit France to resume purchases of Iranian crude, but officials said Wednesday that they did not know of such commitments.

In the last hostage negotiations, Mr. Chirac was also thought to have secured a promise that Iran would not foment terrorist activities on French soil.

Officials and analysts of Middle Eastern affairs said that Iran was keen to re-establish ties with France mainly so as to ease a sharpening sense of diplomatic isolation. The analysts said that Iran is increasingly preoccupied with the serious state of its economy and the unresolved succession to Ayatollah Ruhollah Khomeini.

Since the end of the Gordji affair, Iran has kept three diplomats attached to the Pakistani Embassy in Paris and France has had three diplomats in Tehran officially under the protection of the Italian Embassy. The six now will become official representatives of their respective nations.

A French official said that the actual exchange of ambassadors probably would take place within weeks.



DEATH SENTENCES IN BANGKOK — Supoj Kittidejdamker, left, a Thai national, and Nora Blake, second from left, an Australian, after receiving death sentences on Wednesday for drug trafficking. Miss Blake and her husband, Paul Hudson, right, were arrested in January 1987 in Bangkok after the police found 10 pounds of heroin hidden in their 14-month-old son's stroller. Mr. Hudson, who reportedly tried to get his wife off by pleading guilty, received life in prison.

Polish Shifts Strengthen Supporters Of Reforms

By Jackson Diehl

WARSAW — A leadership shake-up by the Polish Communist Party has strengthened the role of reformers, even as it consolidated the control of General Wojciech Jaruzelski over policy, officials and analysts said Wednesday.

At the conclusion of the first meeting of the party's Central Committee since a wave of strikes shook the country last month, an official charged with economic policy and several conservatives were removed Tuesday night as the party blamed social unrest on "inconsistent and chaotic implementation" of economic reforms.

The removed officials, including two Politburo members, one alternate member and four Central Committee secretaries, were replaced with a mixture of liberals and pragmatists noted for their loyalty to General Jaruzelski.

In perhaps the most important shift, the economic policy chief, Marian Winiarski, was removed from the Politburo and Secretariat and replaced by the National Bank president, Wladyslaw Baka, a supporter of plans to revive the economy with free market mechanisms.

Party officials said the shifts reflected widespread dissatisfaction within the party over the stalled "second stage" of economic reform introduced last year, which has doubled inflation to 60 percent but produced little change in industry or shortage-plagued shops.

General Jaruzelski and Prime Minister Zbigniew Messner outlined plans to stop inflation and to restructure inefficient heavy industry with more aggressive measures. General Jaruzelski hinted at several plans for curtailing public opinion.

The general suggested that a "round table" could be set up with independent groups to discuss ways to broaden freedom of association, as well as a council to strive for consensus on price increases.

The meeting supported plans by General Jaruzelski and Prime Minister Zbigniew Messner to combat high inflation and to restructure inefficient heavy industry.

At the same time, party leaders made clear that the personnel changes and new initiatives stopped short of major reforms, such as acceptance of the strikers' demand for trade union pluralism and legalization of Solidarity.

An indirect test of the attempt to change a pessimistic, resentful national mood will come on Sunday, during nationwide elections for local and provincial officials.

Archbishop Sets Stage For a Catholic Schism

By Barry James

Archbishop Marcel Lefebvre set the stage on Wednesday for the Roman Catholic Church's first schism in more than a century by announcing that he would go ahead with the consecration of four bishops on June 30 to head his ultra-conservative traditionalist movement.

The announcement by Archbishop Lefebvre, 82, at his headquarters in Ecône, Switzerland, appeared to doom Pope John Paul II's search for a compromise.

The archbishop has illegally ordained more than 200 priests since he was suspended, but not excommunicated, by Pope Paul VI in 1976. He says he has millions of traditionalist followers in Europe and the Americas.

Thousands of people are expected to attend the consecrations in Ecône, which will automatically result in the excommunication of the archbishop and the four bishops.

The four are Bernard Tissier, 42, the French secretary-general of the Pius X Brotherhood and Bernard Fellay, 42, its Swiss administrator; Richard

Williamson, 47, head of a seminary in Connecticut; and Alfonso de Galarreta, 30, head of a seminary in Buenos Aires.

It will be the first schism in the Roman Catholic Church since the Old Catholics broke from Rome in 1870 in protest over the dogma of papal infallibility.

Archbishop Lefebvre once called Paul VI "satanic" and he has said Pope John Paul is "more or less" a heretic. He says the Roman Catholic Church has turned "protestant" since the Vatican Council in 1960s.

Asked if he was concerned about the prospect of excommunication and schism, he replied: "Excommunication by whom? Schism from what?"

He said there was "no possibility" of a reconciliation between now and June 30.

Archbishop Lefebvre signed a protocol with the Vatican on May 5 by which he agreed to accept Vatican Council changes in return for formal recognition of his movement. But both sides were reported to have had second thoughts about the agreement.

WORLD BRIEFS

Israelis Close Schools in West Bank

JERUSALEM (Reuters) — Israel closed schools in the West Bank Wednesday to prevent student unrest, and a Palestinian was shot dead amid protests and a general strike in Israeli-occupied areas.

Palestinians said Israeli troops killed Nidal Ibrahim Hassan, 21, as they opened fire on a crowd of youths throwing stones in the village of Battir, west of Bethlehem. Security officials confirmed the death but said the circumstances of the killing were not immediately known.

Shops throughout the West Bank, the Gaza Strip and East Jerusalem shut down, and public transportation ground to a halt in a strike over Palestinian students who have been imprisoned since the uprising against Israeli rule began in December. About 300,000 students from 12 schools stayed home on Wednesday, and the schools were closed by military authorities after the underground leaders of the uprising called for strikes and protests in a leaflet distributed in the territories.

Abba Eban Is Leaving Parliament

JERUSALEM (UPI) — Abba Eban, the veteran Israeli politician ended a 29-year parliamentary career on Wednesday by withdrawing his name for consideration as a Labor Party candidate in the fall election.

Mr. Eban, 73, who played a major role in the creation of the state, withdrew his candidacy after members of the Labor Party's Central Committee failed to select him as one of the top 27 candidates to run in the Knesset, Israel's parliament.

In a letter to the party chairman, Foreign Minister Shimon Peres wrote that for an entire generation he had carried Labor's flag.

Mr. Eban wrote that he was "incapable of bearing the flag as I have in the past," but "for the simple reason that the party's institutions have taken authority from me and have decided others will bear the responsibility from now on."

North Korean Missiles Worry Shultz

WASHINGTON (AP) — Secretary of State George P. Shultz, warning concern about the possibility of terrorism at the Olympics, Wednesday said North Korea had placed Soviet surface-to-air missiles within range of Seoul.

Mr. Shultz said he had received assurances from Soviet leaders that "they feel certain there won't be any terrorist acts" by their North Korean allies. "I have no reason to doubt the sincerity of that statement," Shultz said. But he said North Koreans "are people you have to keep your eye on, and we will do so."

His remarks, on the U.S. Information Agency television program "Worldnet," repeated an accusation by Defense Secretary Frank Carlucci that North Korea had deployed the missiles. Mr. Shultz said missiles had been installed near the Demilitarized Zone and "beyond range that can go over the Seoul area."

Authorities were unsure if the killings were carried out by rebels in the Shining Path rebel group or from a separate Marxist group, embassy spokesman said. The ambush followed the capture Sunday of the Shining Path's second-in-command, Osmar Morote Barrionuevo, state of emergency was renewed in Lima and seven states on Tuesday.

Honecker Strongly Resists Reforms

BERLIN (Reuters) — Erich Honecker on Wednesday made Western diplomats described as his strongest rejection of Moscow's reforms. He said German Communists had never aimed at copying the Soviet system.

The Communist Party general-secretary and head of state told East German journalists in an interview that East Berlin would pursue the present course it had followed since 1971. He said Soviet perestroika, or restructuring, was aimed at breaking open "a certain incrustation of economic life" and were based purely on internal conditions.

Mr. Honecker said he supported Mikhail S. Gorbachev's reforms in those in other East bloc nations but that it was up to each country to analyze and determine according to its own means what the next steps are.

For the Record

Iran will open an embassy in Wellington, the New Zealand government said Wednesday, adding that an Iranian delegation would arrive in week to make arrangements. New Zealand has long had an embassy in Tehran; Iran now has an ambassador accredited to New Zealand based in Australia. The two are major trading partners. (Reuters)

TRAVEL UPDATE

Bonn Calls for Action on Air Safety

BONN (Reuters) — West Germany's transport minister, Josef Wank, said Wednesday that urgent safety measures were needed to cope with huge increases in air traffic over the country.

The problem is particularly acute during the holiday season and likely to increase because airports and air traffic controllers are almost operating at capacity, Mr. Wank said at a news conference.

In the short term, he said, the area covered by traffic control should be increased, routes improved and major West German airports expanded. The country's air-safety plans were last reviewed in mid-1987, when annual increases in traffic of 2.6 per cent were expected. Traffic has grown since then by 15 per cent with peaks of up to 30 per cent.

The Association of European Airlines predicted Wednesday that the number of passengers on the European routes of its 21 member carriers will rise to 65.5 million by 1992 from 51.3 million this year, an annual average increase of 6.6 per cent. But, it said in Brussels, AE members expect per-passenger revenue yield to drop an average of 10 per cent a year over the next five years.

The French domestic airline Air Inter's three unions, representing pilots and flight engineers, called on Wednesday for a two-day strike June 20 and 21 to demand the resignation of the airline's chairman, Pierre Eiden. (AP)

Afitalia passenger flights between New York and Rome will be canceled for six days starting Thursday because of a strike called by the Italian airline pilots' unions for higher wages. (UPI)

France Says It Will Proceed With New Short-Range Missiles

By Joseph Fitchett

PARIS — France will proceed with plans to put into service new short-range nuclear missiles, including the Hades surface-to-surface system, Jean-Pierre Chevènement, the Socialist defense minister, said Wednesday.

Mr. Chevènement, stressing the continuity of French military po-

licy under the new Socialist government, said that the budget voted by the previous conservative-dominated National Assembly would be broadly maintained.

His comments appeared to end debate in the Socialist party about the future of the Hades, a mobile missile system with a reported range of about 450 kilometers (275 miles). This is close to the lower end of the intermediate-range mis-

siles that the United States and the Soviet Union are scrapping.

President François Mitterrand has publicly criticized battlefield nuclear systems that push the concepts of nuclear deterrence toward a doctrine of flexible response.

But he was reported Wednesday to be planning next month to inspect the first French fighter-bomber squadron equipped with a nuclear cruise missile designed to

penetrate Warsaw Pact defenses.

Similar weapons are being considered by the North Atlantic Treaty Organization, but West Germany and some other governments have opposed this step.

A strong defense policy, Mr. Chevènement said, was "France's strong suit in building a peaceful and balanced Europe."

Meanwhile, as expected in the

political maneuvering among conservative parties, centrist politicians overrode objections by their allies and formed an independent parliamentary group to be called the Union of the Center.

Pierre Méhaignerie, leader of the Center for Social Democrats, which is the core of the new group, said Wednesday that they sought to diversify opposition to the Socialist government.

Greece and Turkey Fail In Effort for an Accord

By Loren Jenkins

ATHENS — Three days of talks here between the prime ministers of Greece and Turkey ended Wednesday without progress in resolving differences that almost dragged the two countries into war last year.

Both the Turkish prime minister, Turgut Ozal, and the Greek prime minister, Andreas Papandreu, sought to dispel pessimism about their meetings at a luxury seaside hotel. They said the fact that they had met, talked and would continue talking was progress.

"I must say there is light at the end of the tunnel," Mr. Papandreu reassured skeptical Greek and Turkish journalists. He admitted, however, he could not be "optimistic" about when that light might be reached, or even how, and counseled patience.

The three-page communiqué issued after the talks did nothing to enlighten the matter. It was vague and unspecific, the result of negotiations between both the Turks and the Greeks after they failed to resolve any of the major issues that separate them — especially the question of Turkish occupation of northern Cyprus and the issue of control of the Aegean Sea that separates these two strategic and inimical NATO allies.

The communiqué made no reference to any new measures of improving relations beyond the continuation of meetings this fall between Turkish and Greek negotiators and an announcement that Prime Minister Papandreu would pay a return visit to Mr. Ozal.

Not even a date for this visit, which is expected to take place in October, was announced. Instead they spoke of the differences both sides had in defining the parameters of the dialogue that they initiated after meeting for the first time last January in Davos, Switzerland.

Both leaders have cited their new war in the Aegean Sea in March 1987 as an impetus for the meeting in Davos to end the enmity, which goes back to the four centuries of Ottoman domination of Greece, until last century.

Diplomatic sources close to both prime ministers said that the fact the two nations came within "hours of going to war" because of a dispute over underwater mineral rights on the contested Aegean continental shelf, "scared them to death and forced them to begin to rethink the strained relationship between their two nations."

That reassessment, however, remained stalled on the still intractable issue of Cyprus, the mainly Greek independent island nation that Turkey invaded in 1974 to protect its Turkish minority on the northern shores.

Turkey has insisted that the Davos dialogue involve only direct "bilateral issues" between the two countries and not such larger issues as divided Cyprus.

The solution to this, Mr. Ozal insisted again here, must come from negotiations between the independent island nation's Greek and Turkish communities under the auspices of the UN secretary general, Javier Pérez de Cuellar.

Mr. Papandreu has insisted that only a solution to Cyprus, and the withdrawal of 22,000 Turkish troops there, can open the door to better relations and peace.

Both Mr. Papandreu and Mr. Ozal, however, expressed hope that something might come of a scheduled meeting next month between Cyprus' Greek president, George Vassiliou, and Rauf Denktaş, the leader of the breakaway Turkish republic of North Cyprus.



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الجزيرة

New White House Staff Chief Called a Bristly Pro

By Martin Tolchin

New York Times Service

WASHINGTON — As an avid hockey fan, Kenneth M. Duberstein watches the flashing sticks, flying pucks and bone-crushing action of the Washington Capitals from his seat as a season ticket holder at Capital Center.

Some White House colleagues and ice hockey are apt metaphors for the political style of the new White House chief of staff. A 44-year-old who thrives on pressure, he has been called "action central."

And he has stepped on some important toes in the process.

"In the sense that hockey is a rough, enthusiastic sport, it's a good metaphor for Ken," said Martin Fitzwater, the White House spokesman. "He's got the energy, he's very competitive. He's a blunt, wisecracking Brooklyn kid."

A tough-talking man whose culinary tastes run to pastured and zesty, he campaigned for the job of chief of staff in 1987. But he was passed over and found himself in a White House nest of Tennesseans, led by former Senator Howard Baker Jr., whom he will succeed. He two did not always see eye to eye.

Sometimes Ken Duberstein didn't seem to be arguing on the Howard Baker side of things, said congressional aide who was privy to the conversations.

Nor did Mr. Duberstein always agree with Thomas C. Grissom, the communications director, a Tennesseean with long ties to Mr. Baker. Some colleagues regarded their differences as part of an unending battle for the boss's ear.

Representative Dick Cheney of Wyoming, chairman of the Repub-



Kenneth M. Duberstein, the new chief of staff, stands behind President Ronald Reagan at the White House. Rozanne L. Ridgeway, the assistant secretary of state for European affairs, is behind them.

lican Policy Committee and White House chief of staff in the Ford administration, noted differences in the styles of the two men.

"Howard's role has been that of a counselor," Mr. Cheney said. "He's been involved in a broad range of decisions."

By comparison, Mr. Duberstein has been more of a technician, according to Mr. Cheney.

"Ken's had his hands on all the levers," Mr. Cheney said. "He's been the guy moving the paper, working the schedule, overseeing

the mechanics of the White House. Ken's one of the most able professionals in town."

As White House liaison to Congress, Mr. Duberstein became expert at stroking congressional egos. But some on Capitol Hill have found that, as deputy chief of staff, he is more bristly.

"Some people think that Ken Duberstein has converted from co-

operation to confrontation," said an aide to the Senate's Democratic leadership. "A lot of people don't expect him to be as much of a

moderate as Howard Baker. They don't expect him to counter the extremists as much as Howard Baker did."

Mr. Duberstein has been viewed with suspicion by supporters of Vice President George Bush, who regarded him as a supporter of the presidential campaign of Senator Robert Dole of Kansas, the Republican Senate leader. The Bush fol-

lowers felt the same way about Mr. Baker, and for the same reason. Although Mr. Duberstein has es-

gan, filling the void left by Michael Deaver, a predecessor as deputy White House chief of staff, some felt that he has occasionally exploited the relationship by taking it upon himself to dismiss proposals as unacceptable to the East Wing.

Mr. Duberstein was born in Brooklyn on April 21, 1944. He came to Washington in 1965 as a protégé of Professor Sidney Wise of Franklin and Marshall college in Lancaster, Pennsylvania. Dr. Wise found him an internship with Senator Jacob K. Javits, the New York Republican.

Mr. Duberstein received a master's degree in government from American University, in Washington, and handled congressional relations for the General Services Administration and the Department of Labor. He went to the Reagan White House as deputy assistant for legislative affairs in 1981, and was the chief White House congressional liaison in 1982 and 1983.

After a four-year stint with a lobbying and public relations firm, he returned to the White House in March 1987, as deputy chief of staff.

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U.S. Case May Spur Anti-Smoking Laws

By Kurt Eichenwald

New York Times Service

Members of Congress said that a new Jersey jury verdict finding a cigarette manufacturer liable in the lung-cancer death of a woman could revive prospects for a wide range of federal anti-smoking legislation.

Some lawmakers said on Tuesday the case had provided an important psychological victory for opponents of smoking, that could affect the debate about the issue on Capitol Hill.

The bills in Congress could have wide-ranging effects, from restricting smoking on all commercial airline flights to imposing new restrictions on tobacco through the Food and Drug Administration. Several members said restrictions might be considered for buses and cars.

Representatives of tobacco companies said they did not believe that the case, in which the Liggett group was found partly liable for the death of Rose Cipollone, would present significant difficulties on Capitol Hill. Lawyers for Liggett said that the case would be appealed.

"This case isn't over," said David Fishel, a vice president of the Reynolds Tobacco Co., which is not a defendant. "We have addressed tobacco issues in Congress for a number of years and we'll keep on addressing them in the near way."

The jury found Liggett had failed to warn of the health risks of smoking before warnings were required on cigarette packs in 1966, awarded \$400,000 in damages to Mrs. Cipollone's husband, Anto-

ni Liggett and the other two defendants, Lorillard and Philip Morris, were not found to have engaged in a conspiracy to misrepresent the health facts or to have fraudulently misrepresented their products.

Industry lawyers also said that the case would dissuade others because the damages that were awarded were small when compared with the time and some \$2 million expended by Antonio Cipollone's attorneys.

Because the companies were not found to have been involved in a conspiracy, the verdict was initially thought to have a mild effect on the industry. But the potential long-term effect began to crystallize, as the issue presented in the New Jersey court moved to a new stage on Capitol Hill.

One early sign was a letter that Representative Robert G. Torricelli, Democrat of New Jersey, sent to colleagues, citing the Cipollone case as a reason to support a smoking ban on airlines. A House subcommittee hearing that was postponed until the verdict was reached has been rescheduled for June 29 to examine evidence from the case.

"In terms of opening future litigation, the verdict is narrow," Mr. Torricelli said. "But the impact in Congress, state legislatures and town halls is going to be rather profound."

Several members of Congress said the most significant effect on the debates might have little to do with the verdict. Rather, thousands of pages of internal company documents that were produced during the discovery in the trial are likely to raise new issues.

"The revelations in the evidence that they knew better about the

health effects at a previous time and withheld information will destroy their credibility on Capitol Hill," said Representative Henry A. Waxman, Democrat of California.

The verdict came at a critical time for the industry, which has experienced recent public relations and legislative defeats. They include last month's surgeon general's report on nicotine addiction, a law that prohibits smoking on short airline flights and a variety of state and local smoking restrictions.

Representative Richard J. Durbin, Democrat of Illinois, said, "The momentum is gaining in Washington against the tobacco lobby, and this case just gave it another push."

Some observers of the case agreed a political backlash could result.

"The documents will assure the Cipollone case will be a rallying point," Ralph Nader, the consumer advocate, said.

Lawyers for consumers will focus more on the issue of addiction, relying as much as possible on the Cipollone case's insider documents, Mr. Nader said. There were claims in the case that cigarettes were addictive and that the tobacco companies had violated guarantees about cigarette safety in pre-1966 advertising.

"The new strategy is going to be this: In the situation where a dangerously addictive product is sold in the marketplace, there's a division of responsibility," Mr. Nader said.

"There's responsibility of the addict who used the product, and there's the responsibility of the purveyors of the product that addicted

the victim," Mr. Nader said. "It takes two to tango. Once the lawyers do that, by being more modest in their assignment of responsibility, they are going to be able to reach more juries."

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Drought And Heat Worry U.S.

Washington Post Service

WASHINGTON — Extreme heat and a severe lack of rain have devastated crops in some parts of the United States, but Secretary of Agriculture Richard E. Lyng has said a Senate committee that it is too early to predict a disaster for American farmers.

In a meeting Tuesday with the Senate Agriculture Committee, Mr. Lyng said that a "very, very serious drought" has affected crops in the northern tier of states and in isolated pockets in the South and in the eastern areas of the Midwestern corn belt.

"It has been disastrous in some areas," Mr. Lyng said. "But it is a bit too soon to say the country is facing a grim disaster. But the situation is there."

The dry and hot spring in northern agricultural areas has made grain markets edgy, sent futures prices inching upward in some areas, caused fears of higher food prices for consumers and touched off a wave of calls from Congress for the Department of Agriculture to provide federal aid to farmers whose crops may be stricken.

The secretary of agriculture said not commit the administration in advance to assisting farmers. But he agreed to join a task force set up by Senator Patrick J. Leahy, Democrat of Vermont, to monitor the weather and to consider ways to channel help to affected farmers.

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INTERNATIONAL Herald Tribune

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No to New Sanctions

A bill imposing tough new sanctions against South Africa is coming along — nearly all investment and trade would be ended. If the purpose is to express a hatred of apartheid and an impatience with its slow dismantling, this bill surely expresses both. The white minority regime has just extended the two-year state of emergency, tightened censorship and curtailed political activity by the black labor federation. The regime's reach for reform, such as it was, has been closed off by the surge of opposition on its right. In Washington, the House of Representatives says that South Africa has not made the "significant progress" that the 1986 act sets as the standard for lifting the lesser sanctions imposed at that time, and has even gone backward.

In this analysis of what has happened, the House is right. But what it needs to ask is why progress has been disappointing. The House, which has passed the bill, sees the regime as gripped by a "fantasy" that it can hold onto its monopoly of power indefinitely, free of severe economic costs and deepening international isolation. But few South Africans think that they are headed down a cost-free path. They know that the costs are heavy and getting heavier, but, tragically, they think that these costs are more bearable than the risks of letting

go. Meanwhile, they have available the great powers of a modern state to inflict terrible costs on the majority.

This underlies the argument against sanctions made by Helen Suzman, a South African parliamentarian and veteran opponent of apartheid. Noting the crucial role that an expanding economy plays in black empowerment, she declared: "It is surely senseless to blunt [by sanctions] the only weapon with which blacks can improve their position at the workplace, and beyond that the workplace." Precisely this notion of giving blacks an economic base from which they can if they wish withhold their labor and purchasing power stirs the strike movement that is becoming an increasingly important arena of black struggle.

The bill was brought along at a moment when it could be hitched to the election campaign. Michael Dukakis may have doubts about the Jackson team's platform demand to designate South Africa as "terrorist," a word of many rings, but he is four-square for sanctions. In the Senate the issue is what changes will be made to win enough Republican votes to surmount the expected presidential veto. But we don't think any new sanctions are justified while such doubts exist about whether the old ones were lost.

— THE WASHINGTON POST.

Pleasurable Poison

The \$400,000 that a federal jury awarded on Monday to Antonio Cipollone after the lung cancer death of his wife is a drop in the bucket to the Liggett Group. In 1985 the earnings of the tobacco industry in the United States were a record \$3.45 billion. The award is a fraction even of the \$2 million that the suit cost Mr. Cipollone's law firm. But this verdict, the first ever to hold a tobacco company liable for injuries to a smoker, may yet become another, historic nail in tobacco's coffin.

Although the industry contends that the relatively small award constitutes a victory, the declines in tobacco stock values on Tuesday render a different judgment, at least for the moment. And the documents uncovered in the trial put on record an industry attitude toward the risks of tobacco that it would be a kindness to call cynical.

Like a lot of Americans, Rose Cipollone started smoking as a teen-ager. "I thought that it was cool to smoke and be grown-up, and I was going to be glamorous or beautiful," she said in a deposition a few months before her death. Then she "became hooked." She contended that she was reassured by advertising like "Just What the Doctor Ordered" and "Play Safe — Smoke Chesterfields."

Later advertising convinced her that filter tips were safer. In 1981 she lost the upper lobe of her right lung to cancer. In 1982 she lost the entire lung. In 1983 she lost an adrenal gland. In 1984 she died.

Because federal warnings first went on cigarette packages in 1966, the jury was allowed to consider Mrs. Cipollone's smoking only until that time. Nevertheless, according

to documents uncovered by her husband's lawyers, the tobacco industry knew in the 1940s that smoking was linked to cancer, even while publicly denying it. In 1946, for instance, a letter from a Lorillard Inc. chemist revealed the company's awareness that scientists were reporting such links.

In 1961 a consultant to Liggett wrote that "there are biologically active materials present in cigarette tobacco" that are "a) cancer causing, b) cancer promoting, c) poisonous, d) stimulating, pleasurable and flavorful." The jury found that Mrs. Cipollone, in refusing to stop smoking, was 80 percent responsible for her own death. But it also found that the company had failed to warn of the health risks before the federal requirement and that it had misled the public by suggesting that smoking was safe.

The case is not over. Liggett plans to appeal. Mr. Cipollone's lawyers plan to ask the judge to overturn the jury's decision not to award posthumous damages. And it is too soon to know whether this verdict is the legal breakthrough that tobacco industry opponents have been hoping for, or more proof of the industry's searing invincibility.

Tobacco industry representatives may well be correct in saying that the relatively small award will "close the floodgates" on this kind of litigation. But even if that relatively modest \$400,000 does not bury this multibillion dollar industry, the moral impact is extraordinary. This case offers a legal X-ray of the tobacco industry's shame, and the picture is every bit as devastating as the medical record of Rose Cipollone.

— THE NEW YORK TIMES.

Other Comment

War Against the Evil Empire

Although criticism of Stalin has become commonplace, Soviet readers must have been shocked to learn that Lenin himself, the inflexible founder of the Bolshevik order, was the source for all subsequent forms of state terror. Mikhail Gorbachev and his supporters have heretofore touted their economic reforms as a return to "Leninist principles." The audacious assault on Lenin's reputation implies that failure to support Mr. Gorbachev's policies could usher in a repeat of the darkest days of the Stalin dictatorship.

The excavation of Lenin's responsibility for the party's crimes against the people also implies that the system Mr. Gorbachev inherited must be altered radically. Mr. Gorbachev's partisans within the party have declared war against the evil empire.

— The Boston Globe.

The Case for a Fifth Summit

Now that the fourth summit meeting between General Secretary Mikhail Gorbachev and President Ronald Reagan has become history, a valid question is whether we can expect a steadily improving relationship between the two superpowers that will have increasingly visible impact on the global situation. If substantial progress is achieved in the ongoing talks on strategic arms reduction, regional issues and economic cooperation, a fifth summit would be useful. Even if no substantial treaties are signed, it would convince the world that both superpowers are indeed serious in their continuing efforts to create a better international climate.

— The Jakarta Post.

Keep Lines Open to Pretoria

It is time to start thinking straight about South Africa. In London at the weekend a pop concert was held to celebrate the 70th birthday of the jailed nationalist leader Nelson Mandela. It was broadcast by the BBC and relayed to some 60 countries. This upset both the South African government and some back-benchers in Britain's Conservative Party. They maintain that the African National Congress, of which Mr. Mandela is the leader, is a "terrorist organization" whose representatives should be

shunned. Across the Atlantic, the opposite has taken place. Party advisers working for Michael Dukakis have agreed to brand the South African government with the label "terrorist," in deference to Jesse Jackson, whose command of the black vote is of no little importance in this election year.

The label "terrorist" is not helpful in either case. On the Jackson side of the argument it is pointed out that a great many unarmed civilians and demonstrators have been shot dead by the police and security forces. It is one thing to condemn such actions, but quite another to place the South African government, which commands the strongest economy and the strongest military force in Africa, outside the range of normal diplomatic pressures. If Mr. Dukakis becomes president, he will be better placed to influence events in southern Africa if he maintains a working relationship with Pretoria.

— The Financial Times (London).

Health Research for the Poor

In the poorest African and Asian countries, average life expectancy is in the 30s and 40s — "evidence," writes John Walsh in Science, "that modern medical science has had limited impact in much of the Third World." He cites the "lack of substantial, sustained effort in research on health problems peculiar to developing countries" as an "important contributing factor." Now an Independent International Commission on Health Research for Development, whose main objective will be to point out "gaps and opportunities" in health research, is being established to address this problem.

There is a "shocking mismatch" between the amount of health research done for industrialized countries and the amount done for developing countries, says David E. Bell, a professor at the Harvard School of Public Health. He estimates that roughly 95 percent of the total health research in the world is focused on the problems of industrialized countries. On some problems, such as acute respiratory diseases that take a particularly heavy toll in developing countries, "virtually nothing is underway."

Women's health, population issues and family health will be important concerns on the new commission's agenda.

— World Development Forum (Washington).

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Conventional Arms: The Allies in Disarray

By Jim Hoagland

VIENNA — The Case of the Bungled Breakthrough is one of the year's most intriguing diplomatic detective tales and the talk of the arms control set here. Like all good mysteries, it starts with a couple of clues that have to be pieced together and used as building blocks.

The first clue comes from Mikhail Gorbachev's showy press conference toward the end of the Moscow summit. Speaking of his new conventional arms control proposal, he surprises reporters by mentioning a U.S.-Soviet agreement on the subject reached in Geneva. Asked to explain his remark, he deftly ducks and leaves an impression that he has mispoken.

The second clue: American officials briefing the press the same day act oddly when asked about the Gorbachev proposal. They fall at it, as if taking an ax handle to a snake crawling across the road. Mr. Gorbachev knows full well that such proposals have to be referred to the 23-nation conference in Vienna on that subject, they huff. The United States cannot even send a proposal in the absence of its NATO allies.

It is a calculated overreaction. The audience cannot be the American public, whose indifference to the subject of conventional arms control is one of the few constants of this volatile era. Nor can it be the Soviets, who act puzzled and pained by the vehemence of the U.S. volley. What, then?

Elementary, my dear Watson. The Moscow outburst was in part guilty conscience, in part window dressing for NATO allies who still simmer over a secret understanding that U.S. and Soviet negotiators reached in April. The accord would remove the final major obstacle to setting terms for new negotiations to reduce the size and strength of the NATO and Warsaw Pact armies in Europe.

Officials in London and Paris

learned of the Geneva agreement not from the Reagan administration but from the Soviets. Inexplicably, the United States delayed in informing its NATO partners of the accord — which Britain and France could be counted on to oppose and to try to sabotage. Given a perfect pretext, London and Paris howled, and have been able to get the understanding shelved for the time being.

The Soviets moved with unusual speed to bring up with the West Europeans the subject of the private U.S.-Soviet understanding. It is not clear if the Soviets acted innocently, as they protest, or saw their chance to sow discord in NATO and took it.

Despite this imbroglio, delegates to the bloc-to-bloc talks on setting a new mandate for conventional arms control negotiations feel that final agreement is likely to be reached in July and that the new talks, which will replace the moribund Mutual and Balanced Force Reductions negotiations, will open in the autumn.

The secret U.S.-Soviet understanding is seen by these delegates, who do not reflect the French and British views, ultimately as a promising sign. The formula reached in April was to finess the troublesome question of whether aircraft and artillery capable of delivering both nuclear and conventional warheads on targets in Europe would be part of the new negotiations.

NATO had resisted Soviet demands that "dual-capable" weapons be included in the talks, to be traded against the numerically superior Soviet armored forces. But in the Geneva meeting, a senior official in the State Department's European bureau agreed with his Soviet counterpart that the new conventional talks should include conventional weapons that had "additional capabilities."

For the Americans, that slippery and imprecise formula left the battle

OPINION



By BAS in Tachikawa (Athena) C&N Syndicate

to be fought another day after the ceremonial opening of conventional arms negotiations in the autumn. Cynics who note that the autumn comes before the end of the Reagan administration and during an election campaign can draw their own conclusions.

For cautious West Europeans, the formula comes perilously close to encouraging new reductions in tactical nuclear weapons, which they see as vital to counter larger Soviet ground forces if war erupts. For them, this case represents not just an American diplomatic faux pas but also continuing serious differences within the alliance over how to respond to Mr. Gorbachev's increasingly specific conventional arms control proposals.

The conservatives have it right. The once rigid NATO position to exclude all dual-capable weapons from the Vienna talks is eroding rapidly. Italy's new prime minister, Ciriaco De Mita, indicated to me last week that he would support including within the Vienna mandate the dual-capable American F-16 fighter bombers that are to be rebased from Spain to Italy in three years.

In Paris, re-elected President François Mitterrand signaled throughout his campaign that he is likely to be more flexible on arms control in the future. He feels that the conventional talks represent "a moment of truth" for East-West relations.

Conventional arms control, long the wallflower at the strategic dance, is about to take a glamorous whirl around the diplomatic ballroom. Once again, Mr. Gorbachev appears intent on setting the pace and calling the tune. The United States and its allies need to pull together a specific strategy for taking the lead this time.

The Washington Post.

Worries About Mitterrand's France Are Premature

By Flora Lewis

PARIS — Excessive confidence has cost President François Mitterrand desired control of the National Assembly after his re-election triumph last month. He has not exactly been deprived of the fruits of his presidential victory; he has seven years in office ahead. But he will have an extended period of complex maneuver to keep a steady hold on France.

Maneuver is his specialty, though. A French commentator noted that he is at his weakest when he wins and at his best when he loses.

There are a great many tricky political and perhaps constitutional questions to face. But the biggest question, whether France may be the easiest to answer. Fears reported here that the country will become unpredictable, unreliable, unstable are part of the domestic political debate as factions jockey around for new positions. In fact there is no sense of crisis, no atmosphere of drift or serious disorientation. There is wide consensus on the important foreign policy, defense and even basic economic issues, and no reason to think that these questions will be repeated to challenge.

The European Community has just agreed to lift controls on the flow of capital among its 12 members, and has pledged to harmonize relevant taxation policy within two years. That is an important lock on the temptation for economic adventurism. And talk about the need for a European central bank is becoming more serious. The 1992 deadline for lifting all remaining trade barriers within the Community is taking on solidity and forcing adjustments. Leeway for choice

by individual governments is rapidly narrowing.

So France moves into an uncharted domestic political scene firmly constrained by international commitments and its own public opinion to keep on in the same direction. It is likely to be inhibited from dramatic initiatives by the new intricacy of its politics. That may be something of a loss to its partners but should also be a reassurance.

Mr. Mitterrand has chosen to govern with a minority Socialist team, his only real option for the moment, hoping that its program will command sufficient support from the opposition to get legislation passed. His Socialist Party and allies have 275 seats, 13 short of a majority. The tactically federated center and conservative parties have 266 seats, unable to form their own government. They are probably be split apart at some point, but that will take time.

Admittedly, Socialists and Communists (77 seats) have a majority. Their collaboration is ruled out now, although left-wing Socialists have a nostalgia for the ruptured "union of the left." Concern that too much centrism will leave room for revival of the extremes on left and right is not unreasonable, but that is not the immediate problem.

Having made the mistake of dissolving the National Assembly right after his re-election, with only perfunctory gestures toward the "opening" that he had promised, Mr. Mitterrand is constitutionally obliged to wait at least one year before

taking his dilemma to the voters again. He will have to make do with what he can wangle.

Even the French dislike openly flaunted cynicism from their politicians. They punished their president for it, as they punished ex-Prime Minister Jacques Chirac in the presidential election for his deals releasing hostages from Lebanon, for attacking rebels in New Caledonia and for other self-dramatizing acts just before the vote.

The mystery of last Sunday's elections was not the voters' call to order and steadiness, but the drastic error of opinion polls. They are normally quite accurate here, and on election night their projections based on a tiny percentage of counted ballots were sound. But two weeks before, they were predicting a whopping Socialist majority of 350 to 400, and that obviously influenced Mr. Mitterrand's decision. There has been no explanation of what went wrong, no apologies. A follow-up mystery is why there has been no demand for an inquiry, since the politicians were all misled.

In any case, the result will give the assembly a weight and significance it has never had in the Fifth Republic. Mostly it has been a rubber stamp. Now it will have to be taken into account, with due regard for the views of what former President Valéry Giscard d'Estaing has offered as a "constructive opposition." The situation is less tidy, but probably healthier, especially since France is well anchored now in Europe and has quietly but definitely improved its relation with NATO. It should be interesting to watch, but not worrisome.

The New York Times.

When Pesticides Help Pests and Harm People

By Halimah Todd

JAKARTA — In November 1986, Indonesia barred 57 widely used pesticides from its rice fields. Only 10

escaped the ban. The agro-chemical companies which made the sprays — most of them owned by multinational corporations — howled and tried to apply counterpressure by laying off workers. There was also initial resistance from farmers. But the ban is working and could provide a model for other countries in the Third World that depend heavily on agriculture for employment and income generation as well as for food production.

Use of pesticides on rice crops in Indonesia has dropped by almost two-thirds from 14,200 metric tons in 1986 to 5,800 tons last year.

Peter Kenmore, a U.S. scientist who helped launch the program to control pesticide use in Indonesia, said in Washington on June 9 that in the 18 months since the program began three crops of rice had been harvested. Farmers using reduced-pesticide techniques got 16 percent better yields in the latest harvest than in 1986 when pesticides were heavily applied.

Mr. Kenmore, who came to Indonesia as a specialist attached to the International Rice Research Institute in the Philippines, said that farmers' costs had fallen and the Indonesian government had saved almost \$50 million in pesticide subsidies.

The government's program of "integrated pest management" involves using less pesticide and introducing natural predators. The good insects "usually would keep pace with the bad ones and preserve the crop," Mr. Kenmore said. But when pesticides were used heavily, destructive insects returned in even greater numbers.

Indonesian scientists have some evidence that the brown hopper, which has wiped out thousands of hectares of rice in the past, is declining because of pesticide controls. The hopper sucks the sap from rice shoots and destroys them. It is too early for definite conclusions, said Mr. Soejitro, an entomologist with the Bogor Research Institute for Food Crops (BORIF), but the data so far "show a decrease in the number of hoppers."

The pesticide ban was based on the discovery that heavy doses were breeding voracious superpests. Scientists found that indiscriminate spraying did more harm than good — it did more to eliminate the natural enemies of pests than the pests themselves.

Mr. Kenmore calls Indonesia's program "the most modern, flexible and scientifically sound field-pest management system in the developing world." It was possible because pesticides are subsidized, so their distribution is

controlled by state agencies. The main motive is official concern to maintain self-sufficiency in rice. But the impact of pesticide controls on the health of farmers and on their environment is also likely to be considerable.

Introduction of the Green Revolution package enabled Indonesia to cease being one of the world's biggest rice importers. But the package, which combines irrigation and high-yielding rice strains, opened the way for continuous cropping. It thus created an all-year-round playground in which the hoppers could proliferate. The Green Revolution transformed an occasional pest into a scourge.

In 1977, after the high-yielding varieties spread through Java, the hopper wiped out more than 700,000 hectares (1,700,000 acres) of rice. The farmers, in response, whacked on more and more insecticides, all subsidized by the government. By 1984, Indonesia was using 40,000 tons of pesticides a year on rice and other crops, more than four times the amount used in 1979.

Scientists in Indonesia were trying to develop rice strains resistant to the hopper. But research at BORIF showed that the hoppers which survived the insecticides actually laid more eggs than before, while their natural enemies were killed off, leading to an upsurge of super-hoppers in the next season. As soon as the scientists came up with a rice strain resistant to hopper attacks, the miles would produce a new biotype which would munch through that strain as well. There was an upsurge of hopper attacks in 1983 and again in 1986.

Integrated pest management replaced this losing struggle with another mix of weapons, mainly natural. They include crop management controls so that all rice fields in one area are cleared at one time, leaving nothing for hoppers to feed on. Pest-resistant varieties of rice seedlings are planted. Insecticides are only applied above an "economic threshold" at which damage becomes unacceptable. The 10 insecticides that farmers are still allowed to use were "selected because they kill the hopper at the right doses but do not kill its natural enemies," Mr. Soejitro explained.

They are also less likely to kill the farmer. Most of the 10 are carbamate insecticides. Although toxic, they do not have a cumulative effect on the

human body and seldom pose a threat to life. Among those banned are the organophosphate insecticides, which are rapidly absorbed through the skin and cause more deaths than any other type of pesticide.

Indonesia was long a prime target for export of pesticides banned or restricted in the West. Seventy percent of Indonesia's pesticide production comes from formulation plants owned by four multinationals — Bayer, ICI, Dow Chemical and Chevron.

A 1987 survey by the International Organization of Consumers Unions reported that there had been glaring violations of Indonesia's pesticides code. They found that toxic chemicals were routinely repackaged and sold to farmers in unmarked bags or bottles with no warnings or directions for use. The survey noted unethical promotion by lotteries and by advertisements that gave no warning of the dangers of spraying. A Du Pont calendar showed a pretty model spraying a tobacco crop wearing no more protection than a tight sarong and a sexy smile.

The writer, a free-lance journalist and former feature editor at the New Straits Times in Kuala Lumpur, contributed this article to Third World Network Features.

Paraguay: High Time To Interfere

By Robert E. White

WASHINGTON — All this week, something must be wrong. Never before during his 34-year rule has the Paraguayan dictator, General Stroessner, simply "retired" without a "see" simply to attend a United Nations conference.

The most obvious objective of the trip was to change his suffering nation. His government has become international pariah, signing the growing opposition at home abroad. Despite the strongest efforts, his image remains tainted.

General Stroessner got off to a bad start at the United Nations when he addressed the plenary session of the conspicuous absence of most of the assembly, including Ambassador Vernon Walters.

That night a group of more than 100 Paraguayans protested outside the hotel. As they continued their demonstration, about 12 men, the general's huge entourage, made a sneak attack on the group — apparently forgetting that they were on the Avenue, not in Amazon. A number of protesters were beaten and one was hospitalized overnight for injuries.

Effectively stranded in the United States with no hospitable foreign address — even the White House denied his request for a meeting — General Stroessner left New York empty-handed to nurse his wounds in Disney World. He then went home.

Since the military coup that brought him to power on May 1954, he has built a model dictatorship through patronage, corruption and brute force. Last February there was a re-enactment of the electoral farce performed with clockwork precision every five years, in which General Stroessner was "re-elected" for the seventh consecutive time.

Critics of his misrule accuse him of more than just repression. Despite the torture, exile or death, leaders like Domingo Laño continue to campaign vigorously for a peaceful transition to democracy. The struggles of Mr. Laño and others are beginning to shake the silence that for years has shrouded the dictatorship to violate human rights with impunity. The followers of the newspaper ABC Color and Radio Nanduti have increased international criticism of Paraguay.

The latest condemnation has come from John Paul II. During the papal visit last month, he rebuked General Stroessner in a way not heard since lashed out at the Duvalier regime in Haiti. In addition, both the UN Human Rights Commission and the Organization of American States have condemned the government for lack of respect for civil and political rights.

Concern for Paraguay is not limited to human rights. The country has an alarming history of involvement in drug production and trafficking. When the Marseille drug ring was broken in 1971, Paraguay was found to be the transfer point for drug shipments between France and the United States. It was estimated that during the drug network's five years of operation, \$2.5 billion worth of heroin was shipped into the United States annually. Several high-ranking members of the regime were implicated in the operation.

Last March 29, a House subcommittee was told that Paraguay was both a major producer of marijuana (3,000 metric tons per year) and a major transit point for cocaine (more than a ton passing through each year). State Department testimony acknowledged that there were "indications that officials of the Stroessner government and his Colorado Party are involved in the trafficking."

The current catchword in U.S.-Latin American relations is "Panamaization" — allowing a dictator to twist U.S. concerns into anti-U.S. sentiment, as General Manuel Antonio Noriega has done in Panama. Following the Panamanian lead, General Stroessner could turn ineffective U.S. pressure into another no-win situation for the United States.

This time, the mistakes of Panama can be avoided. Instead of pointless rhetoric and counterproductive sanctions, the United States should work with its allies in the region, specifically Brazil and Argentina, to exert coordinated influence in Paraguay. In joining forces with other countries, the United States would not be viewed as an interfering behemoth but rather as an integral part of a conscious, multilateral effort by the international community to promote long overdue reform in Paraguay.

The writer, a former U.S. ambassador to Paraguay and El Salvador, is president of the International Center for Development Policy. He contributed this comment to The Washington Post.

100, 75 AND 50 YEARS AGO

1888: Frederick III Dies

POTS DAM — The Emperor Frederick is dead [of cancer at age 56]. At a quarter past eleven yesterday morning [June 15] His Imperial Majesty breathed his last. The sobbing in the room after the Kaiser's decease was heartrending. The widowed Kaiserin was broken down with grief, and Kaiser Wilhelm (the new Emperor) and the other children of the late monarch wept bitterly. Immediately after the death the Imperial widow folded a silk handkerchief round her husband's neck. The Emperor William, who sobbed audibly, placed his father's Iron Cross and Order Pour le Mérite on the chest of the dead, together with a small gold chain to which are attached a number of lockets and charms, and laid his father's sword on the bed by his side.

1913: The Beet Lobby

WASHINGTON — The "lobbying" investigating committee had a frank

witness before it yesterday [June 14] — Henry Oxnard, the head of the American Beet Sugar Trust. To the question "Has your company ever used money to defeat any measures before Congress?" Mr. Oxnard replied: "Why, yes, we have used a great deal of money. In the past twenty years, I should say we have spent \$250,000." A little later he said: "I think I misstated the amount we have spent. It should be nearer twice as much, or \$500,000. I think that's right."

1938: 50,000 Seek Visas

VIENNA — The American Consulate General in Vienna has counted some 50,000 applicants for visas since Chancellor Hitler proclaimed the Anschluss [on March 13] and about 600 persons are cleared out every month. Persons now applying for visas must wait for four months, until all formalities are settled. The Nazis make no secret of their determination to evacuate as many Jews as they can with the least possible delay.

OPINION

Paraguay High To Inter
About the Holocaust, Palestine and the Future

By Leon Wieseltier

WASHINGTON — Peace is a form of reason. In the Middle East, it is a dream. It is a dream, on a regular basis, by memory, desire and dream. The minds and the hearts of Israelis and Palestinians are cluttered by sacred stories, by traditions of pain, by superstitions about the other that feel more than politics, more pressing than diplomacy. And so George Shultz, flanked, as others have before him, in an admirable attempt to arrange an exchange of territories for peace. Those who begin by looking backward, said Nietzsche, sometimes end by going backward. In the Middle East, they are the friend of war.

The Israeli-Palestinian conflict is one when versions of the past. The common Palestinian understanding of Jewish history, like the common Jewish understanding of Palestinian history, is filled with malice and myth. The Jewish intellectuals trying to corral the malice and the myth in the Jewish community. I see Palestinian intellectuals trying to fan the malice and the myth in the Palestinian community. Most outrageous of all, surely, is the Palestinian side toward the Holocaust. It cannot be allowed to pass unchallenged.

I hate Hitler more than any of you," said Said Elrakat of an-Najah University, on the West Bank, admonished in the audience at ABC's recent "debate" between Israelis and

Palestinians in Jerusalem. "I was on his list, too." The Holocaust, he said, took over 10 European countries between 1939 and 1944. No one spoke for improvement of life, or a just occupation.

"We have had no Holocaust to protect us with the world's compassion," Edward Said says in his book "After the Last Sky."

"There is no people that has not suffered, to some extent, from the Nazi threat to the future of mankind," says Emilie Habibi, a Palestinian writer and a leader of the Israeli Communist Party, in an article called "Your Holocaust, Our Catastrophe" in the Tel Aviv Review.

"In the eyes of the Arabs, the Holocaust is seen as the original sin which enabled the Zionist movement to convince millions of Jews of the rightness of its cause. If not for your — and all of humanity's — Holocaust in World War II, the catastrophe that is still the lot of many people would not have been possible."

These, then, are the Palestinian propositions. The fate of the Palestinians under Israeli occupation is like the fate of the Jews under Nazi occupation. Palestinians are victims of the Nazis. The Holocaust was a boon for Zionism. The Jewish state exists as a result of the Holocaust.

The effrontery! The analogy between

Israelis and Nazis is obscene. It is made by people who know nothing about Is-

raelis or nothing about Nazis. Or, if it is

not based on ignorance, the analogy is based on an ideological inflammation that is the enemy of decency and peace.

The Jews of Europe would greedily have exchanged their predicament for the predicament of the Palestinians in the West Bank and Gaza. "Certainly," Mr. Habibi notes responsibly, "it is impossible to compare the suffering experienced by the Jews of Europe and the suffering of the Palestinian people." The Palestinians are occupied. The Jews were burned in ovens.

Palestinians who pity themselves for the destruction of the Jews in Europe, who maintain that Palestinians pay the price, must allow for a little irony. For many Palestinians and much of the Arab leadership in the 1930s and '40s were Hitler's little helpers in the Middle East. The Arab "courtship of the Axis," as one historian calls it, is well known.

In 1941, King Farouk of Egypt informed Hitler, through an ambassador in Tehran, that "he was filled with admiration for the Führer" and was "certain that the Germans are coming as liberators."

The Mufti of Jerusalem, Haj Amin Mohammed al-Husseini, met Hitler and Mussolini, secured a commitment to assist in "the elimination of the Jewish national home in Palestine" and assured them that "the Arab nation everywhere feels the greatest joy and deepest grati-

fication" at their successes in the war. Arabs wished to use Germans against the British, who ruled Palestine. The Arab apology, when there is one, is that the alliance with Nazism was tactical. But what is the nature of a nationalism that makes a tactical alliance with evil?

The 1940s were a Palestinian trauma, which Jews have not really understood. But Jews may be forgiven for feeling that the 1940s were also a Palestinian disgrace.

The Palestinians deceive themselves, furthermore, if they think the Jewish state owes its existence to Hitler. Jewish nationalism was more than half a century old when Europe's Jews were exterminated. The Jews had already drawn their conclusions from the anti-Semitic centuries of Europe. Hitler was only the end.

The Jewish state owes its existence to nobody but the Jews who brought it into existence. When Hitler rose to power in 1933, when the partition of Palestine was proposed in 1936, when a Jewish state and a Palestinian state were approved by the United Nations in 1947, all the institutions of a Jewish state were there. Israel was in place when the United Nations "created" it. Palestine was not. The Palestinians might have remarked upon this Jewish self-reliance.

Certainly the Holocaust hastened the legitimacy of Jewish self-determination and Jewish sovereignty in the eyes of the world. But the price — for the Jews, not for the Palestinians — was too high. Which Jew would not prefer to have fought the Arabs and the British for another hundred years and seen six million men, women and children live?

If we Jews could reverse our history in this century, we would. It is true that the Holocaust gained the Jews, in Mr. Said's words, "the world's compassion." It should have. But we would have done very well, thank you, without the compassion and without the Holocaust.

The Jewish state is not a compensation for the Jewish catastrophe. (There are many Jews, too, who need to be reminded of this.) In no way was the Holocaust a boon to anything Jewish. It furthered only the frailty of the Jewish people. The 20th century has been a century of darkness for the Jews, and the shaft of light called Israel does not quite dispel the darkness. Do not envy us our Holocaust. We despise it.

After Auschwitz, thousands of stateless, battered Jews languished in refugee camps. They were not played for political purposes by their leaders; they were brought to safety. To save those Jews, the Zionist leadership settled for less. It restrained itself and agreed to the partition of the land.

There are now thousands of stateless Palestinians in refugee camps. They, too, can be brought to safety, but only if their leaders, too, settle for less. In the Israeli-Palestinian conflict, less is not more. Less is everything.

The writer is literary editor of the New Republic. He contributed this comment to The New York Times.

DO YOU THINK
SHULTZ CAN
HELP BRING
PEACE TO OUR
TROUBLED
LAND?

HE'S ONLY GOT
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DIFFICULTIES

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TO HIM

AND THE
PALESTINIANS
WOULDN'T
TALK
TO HIM.

By KIRSCHEN in the Jerusalem Post.

A Golden Credit History

By Dave Barry

MIAMI — Most of my mail consists of letters from companies with unusual names in distant states who want to give me credit cards. Their letters sound like this:

Dear Mr. Barry:
Here, at Transfair BankAmericana Corp., we have been reviewing your credit history. Never mind how we got it, Mr. Barry. The important thing is that we HAVE it, and many an evening we sit around munching buttered popcorn and reviewing it. And quite frankly, Mr. Barry, we like what we see."

I bet they do. I have owned a number of Visa cards, obtained through a conscientious program of filling out random

MEANWHILE

applications without reading them, and over the years I have used them to run up thousands of dollars worth of charges. To the best of my recollection, I have never used a Visa card to purchase anything I actually needed. Mostly I use it to provide emergency short-term financing for things like fried cheese sticks. Probably the most useful thing I ever charged was a \$6.99 yo-yo with a little electric light in it, which I got for my son in a savvy parental effort to teach him the value of whining and nagging in shopping malls.

Of course, the yo-yo broke before we got home, but sometimes, when I get a Visa statement, I suspect that I'm still paying for it, that it's hidden in there somewhere in the Prior Balance, which sometimes goes up and sometimes goes down but which, like Richard Nixon, never completely goes away. I think some of my Visa cards originally came with a Prior Balance.

Also, of course, I am paying interest.

LETTERS TO THE EDITOR

Yes and No to Page One

It used to be front-page news when Israeli troops shot and killed stone-throwing Palestinian youths. Then that news was moved to Page 2. Are we getting so used to children being murdered by soldiers that soon these deaths will appear under "For the Record"?

LEONORE SUHL,
Portimão, Portugal.

I was surprised by your presentation of photographs on May 14 and 17. On both days your front page had big pictures portraying Israeli-Arab trouble; the report from Israel was not important enough to appear on Page 1; you had front-page reports on violence in Beirut and Iran. Why should Israel be presented daily as the trouble spot of the world? Such coverage only invites more violence.

SHLOMO GAZIT,
The Jewish Agency for Israel,
Jerusalem.

What Lee Has Achieved

I cannot keep silent on articles that condemn Prime Minister Lee Kuan Yew. I lead a better life today than 20 years ago. I have graduated from a one-room, zinc-roofed rented garage to my own terraced house. Yes, I worked hard, but the opportunities came through Mr. Lee's non-corrupt, no-nonsense rule.

STEVEN T. H. CHEONG,
Singapore.

Gloating Is Out of Order

Jack Jolis (Letters, May 27) gloats about hunger and poverty in Vietnam. Has he heard of the American defoliation program, which poisoned fertile land? Or of the millions of war casualties? It is shameful how the "civilized" West ragged Vietnam. To gloat over the predicament of our victims — that goes too far.

E. L. ZUNTZ,
Oxford, England.

This Floating Standard Looks Dangerous

By Robert B. Goldmann

PARIS — Within one recent week, more people were killed in fighting between Syrian-supported Arab Shiite fighters and Iranian-backed Hezbollah in southern Beirut than the number of Palestinians killed in the West Bank and Gaza in five months.

In covering the Beirut fighting, Western media generally have refrained from judgment; there have been few pictures and few interviews of participants or people living nearby. As casualties mounted by some 30 per day, the images showed none of the concern or passion that became the norm in reports from Gaza and the West Bank. There was no mention of world reaction, no investigations by human rights groups into how prisoners were being (if there were any). The reporting was lean and dispassionate.

One hears that people have tired of reading about Beirut — or that "it's just the same." In the West Bank and Gaza, an occupying army faces stone-throwing civilians, mostly youngsters; Beirut, heavily armed soldiers battle for control of territory. Still, shouldn't the story with the greater number of deaths carry more weight than it does? In the West one sometimes hears that the Jews are "big," and so their story warrants greater attention. But why has

Britain not suffered a greater image loss after years of troubles in Northern Ireland? Why is there little criticism of France for deaths in New Caledonia?

To be sure, there are significant differences between those situations and the West Bank and Gaza, where almost all the population is Arab, the controlling forces are Israeli and the Israeli presence is fairly recent. Yet Britain and France do not have to contend with a security threat comparable to the one facing Israel.

Israel, with so much more at stake, stands accused of "losing its soul," while the consciences of Britain and France seem to stay reasonably clear.

If the Jews are regarded as Westerners, why is the ethical standard for them so much stricter? A romantic view of the state of Israel holds that it should be a "light to the nations" — which amounts to placing Jews above "us." But does this really explain the blanket coverage of the uprising in the occupied territories, the meticulous attention to every casualty, the presence of nearly 1,000 correspondents, the human rights investigations? Many Jews conclude that all this is just old

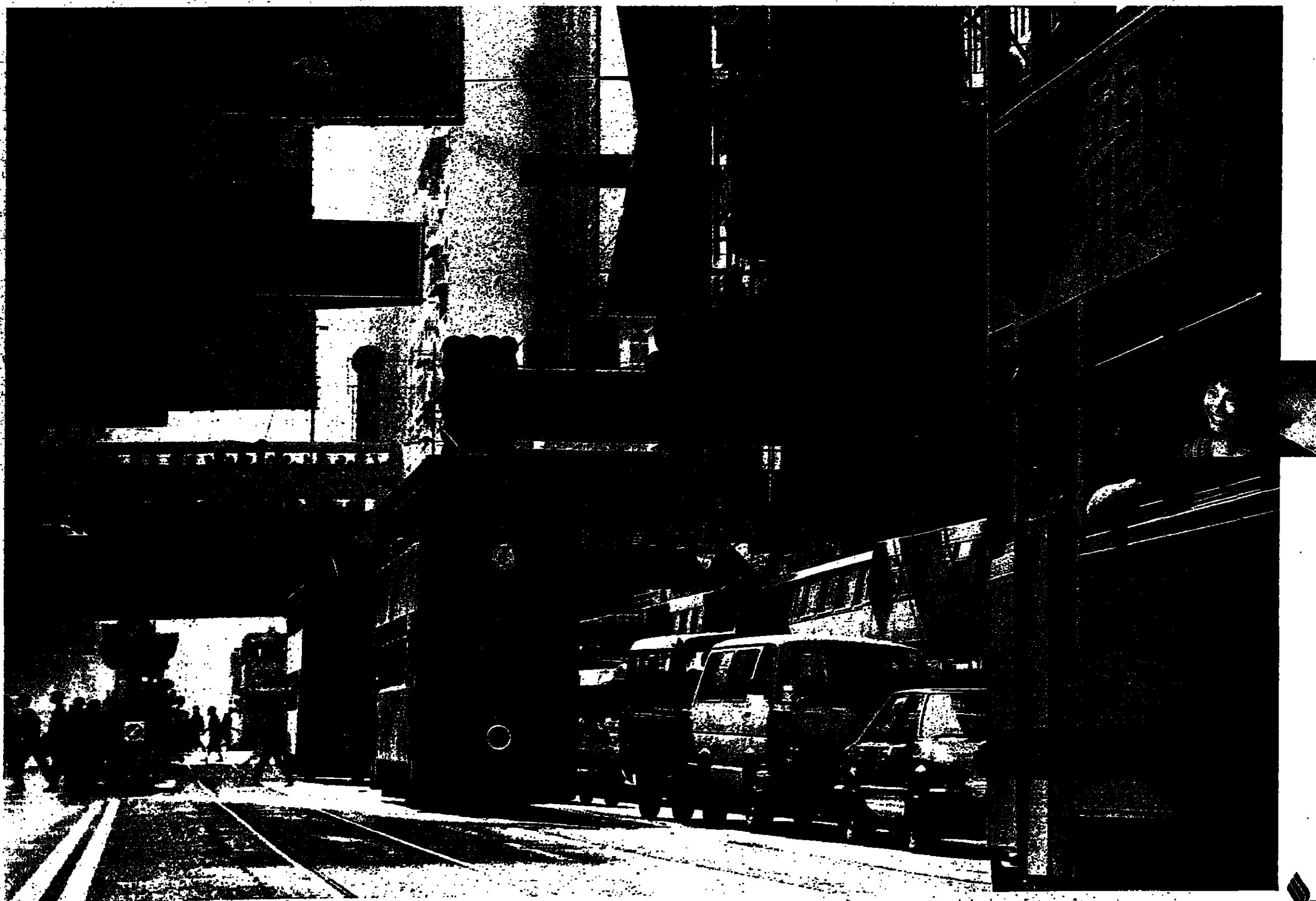
garden-variety anti-Semitism, now appearing in the form of anti-Zionism.

It can be too easy to find comfort in this sort of self-pity. Too easy to find explanations for some policies or actions of the Israeli armed forces in the territories that cannot be excused by anyone with a sense of justice.

And yet the feeling of many Jews that a form of discrimination may be operating in the shape of that special standard of behavior set for Jews alone, is hard to dismiss. For it follows that if Jews do not behave according to that standard, they are subject to censure and whatever may follow. And the control of the standard, with unlimited possibilities of raising its level, is of course in the hands of non-Jews.

There are unanswered questions here, many of which Jews are asking themselves. But non-Jews should perhaps be asking why they feel entitled to "expect more from Jews," with all that this implies for Israel's security, for the sense of security of Jews everywhere and for a new and genuinely creative phase of Christian-Jewish relations.

The writer is director of the Paris office of the Anti-Defamation League of B'nai B'rith. He contributed this comment to the International Herald Tribune.



SUMMER IN THE CITY, AND IT'S REALLY COOKING. JUST GETTING ACROSS TOWN IS A STRUGGLE. AT LEAST GETTING AWAY WILL BE A BREEZE. I CAN'T WAIT — SINGAPORE AIRLINES BUSINESS CLASS.

In More Modern Marriages, the Happiness Gap Is Narrower

By Laura Mansnerus

New York Times Service

NEW YORK — Whether being married leads to happiness or being happy leads to marriage, the positive relation between the two has been considered something of a sociological fact for years. Now, according to one of the researchers who established the correlation, marriage is not what it used to be.

In analyzing 15 years of survey data, Professor Norval D. Glenn, a sociologist at the University of Texas, has found that while married people are still more likely than unmarried to report they are "very happy," the gap has narrowed.

Dr. Glenn and other sociologists have noted a strengthening of some familiar trends: fewer young people are marrying, living together is more acceptable, and remaining single is no longer seen as strange.

Andrew Cherlin, a professor of sociology at Johns

Hopkins University, said that as the number of single people grows, "it would be expected that that group would attract a number of healthy, attractive individuals who just decided not to get married."

Dr. Glenn wondered whether marriage would suffer by comparison. To test that idea, he said, he and another researcher, Professor Charles N. Weaver of St. Mary's University in San Antonio, Texas, turned to the source Dr. Glenn used in a 1975 article on the same subject: the General Social Surveys, conducted annually by the National Opinion Research Center at the University of Chicago.

In the surveys, 1,500 people around the country, 18 years old and older, are asked questions in face-to-face interviews, including whether they are generally "very happy," "pretty happy" or "not too happy."

Dr. Glenn's suspicions were confirmed, especially for the baby-boom generation. Among the 2,335

people age 25 to 39 surveyed 1972-76, the difference between the "very happy" responses of married and never-married people was 20.5 percentage points for men and 29.2 percentage points for women. Among the 2,823 people in that age category surveyed 1982-86, the differential was 5.7 percentage points for men and 12.2 for women.

It is time to question the belief "that the institution of marriage in this society remains as strong and viable as ever," Dr. Glenn and Dr. Weaver wrote in the current issue of *The Journal of Marriage and the Family*.

Other findings include:

- The percentage of "very happy" responses among never-married men age 25 to 39 has increased appreciably: from 13.2 percent in 1972-76 to 24.3 percent in 1982-86.
- Changes among women age 25 to 39 who have never married are harder to analyze. The 1982-86

responses show some increase in happiness but are too small to be statistically reliable.

- Among all married women, still the happiest group, the percentage describing themselves as "very happy" declined from 43.1 percent in 1972-76 to 39.7 percent in 1982-86. The decline was larger — from 42.9 percent to 36.6 percent — among married women age 25 to 39.

- Overall, the percentage of women who reported being "very happy" declined from 36 percent in 1972-76 to 32.3 percent in 1982-86. In the same period, the percentage of men who said they were "very happy" declined from 32 percent to 30.1 percent.

- People who are divorced or separated remained the unhappiest group. Their "very happy" responses increased slightly, to 17.7 percent for men and 19.3 percent for women.

In a U.S. First, a Government Body Regulates Computers in Industry

By Frank Swoboda

Washington Post Service

WASHINGTON — For the first time since the computer age entered the workplace, a government body in the United States has voted to regulate the use of video display terminals in private industry.

The legislature of Suffolk County in New York on Tuesday voted 13 to 5 to override the veto of the county executive, Patrick G. Halpin, and imposed strict new standards for private employers with 20 or more computer terminals. The new law applies to all equipment purchased after Jan. 1, 1990.

Harley Shaiken, a professor of work technology at the University of California in San Diego who specializes in studying the impact of computers on the workplace, called the Suffolk County action "an important symbol, a very powerful precedent for state and local action."

Although there are no precise figures available, it has been estimated that there are 15 million computer terminals in use in U.S. industry. By 1990, it is also estimated that 40 million American workers will use a computer terminal sometime during each working day.

The New York law, which was opposed by the county's business community, would require employers to pay for 80 percent of the cost of annual eye examinations. It would also require employers to pay 80 percent of the costs of glasses or contact lenses that might be required as a result of using the terminals.

A major potential cost to employers is expected to come with the requirement that the computer work station be "ergonomically" sound. That means employers will

have to purchase adjustable chairs, tables and desks as well as install special lighting.

Laura Stock, the VDT program coordinator for the Labor Occupational Health Program at the University of California, said most employers "remove the typewriter, plunk down a computer in its place and consider themselves automated."

She predicted the Suffolk County action would "send a signal across the country" that such regulation is possible.

Nearly half of the states are either considering legislation or have

had legislation introduced similar to the Suffolk County law. Nine states and the District of Columbia

have formulated guidelines for the use of VDTs for government workers. But Tuesday's action was the first time any government has regulated the use of the computer terminals in the private sector.

Morton Bahr, president of the Communications Workers of America, which was involved in the effort to override the veto, called the Suffolk County law "a model piece of legislation to protect the health and safety of VDT workers."

Mr. Shaiken said the Suffolk County law also will demonstrate to other governments that employee rights go along with the installation of new technologies.

Paris Summons Pretoria's Envoy

Reuters

PARIS — France summoned the South African ambassador to the Foreign Ministry on Wednesday to express its concern over the fate of six blacks after a judge turned down appeals for their murder trial to be reopened.

An official in charge of African affairs told the ambassador, Hendrik Geldenhuys, that France felt "deep distress" over the affair.

A South African judge dismissed an application on Monday for a retrial of the five black men and a woman who were sentenced to hang for being part of a mob that killed a black town councillor in 1984.

"France remains very concerned over their fate and is following developments with great interest," the Foreign Ministry said. "The government will do all it can to ensure the condemned are shown some form of leniency."

The six were scheduled to hang in March but were granted a stay of execution after lawyers presented evidence that a witness said he lied on police instructions.

On Tuesday, the European Community moved to have the West German ambassador in Pretoria

make representations to the South African government over the case.

Marking Soweto Uprising

South African industries were preparing on Wednesday for a "low key" commemoration by thousands of blacks on Thursday of the 12th anniversary of the 1976 Soweto uprising against apartheid. United Press International reported from Johannesburg.

Black anti-apartheid groups organizing commemorations urged "peace and dignity" to mark the uprising that spread nationwide from a Soweto schoolyard and left about 1,000 people dead before security forces stamped out the insurrection after six months.

Labor spokesmen said they expected low-profile observances and strikes sanctioned by some employers. They said it would be a symbolic but mostly unofficial and unpaid holiday for blacks.

Protest groups fearing prosecution under state-of-emergency laws avoided calling for a strike but scheduled church services in Soweto and other black townships.

U.S. Group Grants \$600,000 to Foes Of Pinochet's Rule

By Shirley Christian

New York Times Service

SANTIAGO — A government-financed group in the United States has made \$600,000 available to organizations working to defeat President Augusto Pinochet in a coming plebiscite.

After the aid was announced in Washington late last month, leaders of the main opposition coalition said that they did not like accepting money from abroad but that otherwise they would have no chance against the Pinochet campaign, which they contended was financed from Chilean government coffers.

The U.S. grants come from the National Endowment for Democracy, an independent agency created by Congress in 1983 that distributes funds designated by Congress for promoting democratic activities abroad. It has a bipartisan board.

The United States has maintained a low profile in the plebiscite campaign, despite years of looking for ways to put pressure on General Pinochet to give up power. But the Reagan administration is on record as supporting the special grant for democratic initiatives in Chile.

In the plebiscite, intended as the first step in a phased return to democracy, Chileans are to vote for or against a presidential candidate nominated by the military leadership. That probably will be General Pinochet, though the nomination is not to be made until 30 to 60 days before the voting.

If the candidate loses the plebiscite, General Pinochet is supposed to call competitive elections within a year. About a year after the plebiscite, a congress is to be elected and at the end of an eight-year presidential term, in 1997, the president would be selected in open, competitive elections.

If General Pinochet wins the plebiscite and serves out the eight-year term, he will have held power for 24 years since the overthrow of President Salvador Allende and his leftist coalition.

The financial aid to opposition groups by the National Endowment for Democracy revives charges by General Pinochet in his supporters that the opposition is dependent on financial assistance from foreign governments, political parties and foundations.

The pro-Pinochet newspaper *Mercurio* said that "all ethical considerations that ought to rule political conduct" had been ignored by opposition leaders. El *Mercurio* identified in a congressional report as having accepted money from the CIA during the Allende era.

Genaro Arriagada, a Christian Democrat who is executive secretary of the National Command for the No, an umbrella group for opponents of the opposition, said that, faced with the choice of taking foreign money or seeing "the enthronement of Pinochet for 25 years in power, I'll take the lesser evil."

The Reagan administration has limited its position so far to stating support for a clean electoral process and calling for fair campaign opportunities for the opposition particularly in terms of access to information outlets.

The grants to opposition groups that were announced in late May are part of the \$1 million grant the Congress authorized the National Endowment for Democracy to distribute to Chilean organizations this year to promote democracy. The endowment has been making smaller grants for political development in Chile since 1985.

Nearly \$400,000 of the \$1 million was awarded to nonpartisan groups or projects, including one that will provide free identification photographs for voter registration cards, another that is preparing a citizenship manual, and a third that will monitor the election and counting of votes.

The largest single grant, \$366,400, can be used for publishing and advertising by the National Command for the No.

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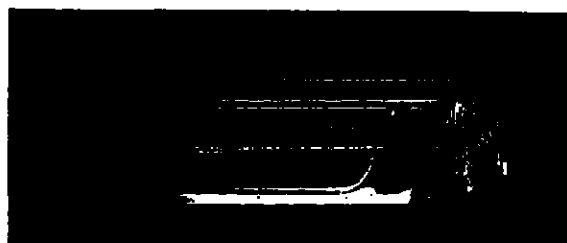
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ASIAN TOPICS

70 Vietnam Generals To Retire This Month

Vietnam is retiring more than 70 army generals and about 3,000 colonels this month as part of its policy of concentrating on economic development, now the country's chief priority. Bui Tin, a former colonel who is now deputy editor in chief of the official Communist Party newspaper Nhan Dan, said in Bangkok, "Some will be replaced, but most of them will simply be retired."

Vietnam has already announced plans to withdraw 50,000 of its troops in Cambodia, estimated by Western intelligence sources to number 120,000, by the end of this year. Its armed forces, numbering 1.2 million, are the world's fifth largest, after the Soviet Union, China, the United States and India.

Mr. Tin said that in the short run, Vietnam's serious unemployment situation would worsen as soldiers returned to civilian life.

Short Takes

China's central bank will send two senior officials abroad for a year to learn about the operations of the London Stock Exchange. Among the operations to be studied are listing arrangements, electronic systems and clearing procedures. The announcement was made in Beijing by the exchange's visiting chairman, Sir Nicholas Goodison. Stock exchanges exist in about a dozen Chinese cities, but trading has been limited by the small number of quoted companies and the propensity of investors to hold their shares for long-term gains.

Malaysian authorities have released two of four women held in detention without trial since last fall under the country's Internal Security Act. They are Cecilia Ng, 36, a university lecturer, and Theresa Lim Chin Chun, 32, a church social worker. Both have appealed for the removal of continuing restrictions on their freedom of movement and association. They have also asked the government to free other detainees, particularly the two other women detained with them, Heng Leng Chee, 32, a university lecturer, and Irene Patricia Lourdes Xavier, 36, a church social worker.

The "Nazi Bar" in Bangkok, which opened in May, has changed its name to the "No-Name Bar," at least until a new name can be found, and it has discarded its huge Nazi banner

and a wall-size photograph of Hitler. Reuters reported that the police "suggested" the change after a storm of critical letters to Thai newspapers from foreigners. The manager, Aor Sarayuk, had said that the Nazi theme was introduced for novelty and that the owner had no Nazi connections.

Five-story prefabricated pagodas are being made by Mitsubishi, the Japanese conglomerate. A spokesman said the concrete pagodas, 60 feet (18 meters) high, would cost 170 million yen (\$1.36 million) apiece. The pagoda may be able to ride on the current Japanese garden boom in France and the United States, the spokesman said. "Buddhist temples overseas will also get along well with the pagoda." But he said Japan was likely to be the main market, with the company focusing on small Buddhist temples that cannot afford a custom-built pagoda.

Students in Bangladesh have demonstrated or rioted in more than 100 communities because university authorities will not let them cheat in their final examinations. Michael Richardson of the International Herald Tribune reports. In one town, more than 60 people were hurt. The protesters, nearly all of them poor, say they must cheat to compete with wealthier students who pay for tutors or buy copies of the test papers from corrupt officials. The protesters also argue that recent political unrest has forced the closure of colleges for much of the time, putting them behind in their studies.

Mahathir bin Mohamed, prime minister of Malaysia, took members of his cabinet and 70 high civil servants to the Genting Highlands last weekend for a fitness seminar. Instructors in a state-run health institute led them through aerobic exercises and lectured them on diet, fitness and the dangers of smoking. Abdullah Abdul Rahman, who heads a productivity task force in the prime minister's office, said regular exercise and wholesome food would help officials work more efficiently.

Japan's second-largest airline, All Nippon Airways, says it has cut midair collisions with birds by 20 percent in the last three years by painting huge black-and-white eyeballs on its engines' fan cones. A spokesman said the eyes seemed to trigger an instinct in the birds that made them veer away from the approaching aircraft. He said the airline had received inquiries on the idea from other companies including Air France, Cathay Pacific, Boeing and Lockheed.

Arthur Higbee

Takeshita Obliquely Warns U.S. on a Trade Issue Backlash

By Fred Hiatt

Washington Post Service

TOKYO — Prime Minister Noboru Takeshita, in an oblique warning to the United States not to push trade disputes too far, said on Wednesday that making too much of "individual issues" could provoke a backlash of "misguided nationalism" in Japan.

Mr. Takeshita's comments came as he prepared to leave Thursday for the Toronto summit meeting of

the leaders of the biggest industrialized democracies and as the United States and Japan resumed talks in Tokyo on a dispute over imports of U.S. beef and citrus products.

"I believe that all countries concerned, ourselves as well as our trading partners, should be careful so that individual issues shall not lead to misguided nationalism," the prime minister said.

Mr. Takeshita's remarks were similar to earlier comments by low-

er-ranking officials that have been interpreted to mean that the United States could provoke a rightist or militarist movement in Japan, similar to that which occurred before World War II, if it is perceived to "bully" Japan on trade issues. The prime minister offered no elaboration of his comment Wednesday.

Instead, Mr. Takeshita, who will be attending his first summit meeting as prime minister, reiterated his pledge that Japan intends to play a

greater world role in keeping with its new economic power. He also defended himself against critics who say he has failed to exercise strong leadership on trade disputes and other matters.

The prime minister commented Wednesday, more directly than he has before, on a recent controversy over Japan's role before and during World War II. One of Mr. Takeshita's ministers, Selsuke Okuno, was forced to resign after he angered China and South Korea by saying

that Japan had no aggressive intent in colonizing those nations.

Mr. Takeshita at the time accepted Mr. Okuno's resignation but avoided any direct criticism of his assertions. On Wednesday, he again declined to characterize Japan's actions as aggressive.

Mr. Takeshita did not comment on the specifics of the sweeping tax reform plan that was announced Tuesday, but he said that he believes "domestic-demand-led eco-

nomie policy is taking root now" in Japan.

The plan, similar to tax proposals that two previous governments in this decade tried unsuccessfully to enact, is expected to present the greatest political challenge of Mr. Takeshita's two-year term.

The plan would cut income and other taxes by \$45 billion per year. But much or all of that cut would be offset by a new value-added tax of 3 percent.

Lawson to Cite Inflation at Toronto

By Warren Getler

International Herald Tribune

LONDON — Nigel Lawson, Britain's chancellor of the Exchequer, said Wednesday that the upcoming Toronto economic summit meeting should refer in its final communiqué to the need for vigilance against inflation.

In recent months, Mr. Lawson's comments about what he described as building inflationary pressures in the United States have irked the U.S. Treasury secretary, James A. Baker 3d. Mr. Baker fears that such talk may fuel pressure on key U.S. interest rates as the November presidential elections approach.

At home, Mr. Lawson has been criticized by private economists for failing to pursue a credible anti-inflationary policy.

He said Wednesday that his projection of a 4 percent inflation rate

for the year is unchanged and that he is content with British monetary policy.

He reiterated his view that accelerating inflation is a bigger threat than recession to world economic recovery, eight months after the October stock market collapse.

"Those looking at a world recession," he said, "are looking in the wrong direction."

Predicting that no new macro-economic initiatives would come from the Toronto meeting, Mr. Lawson said it was important, nonetheless, that the Group of Seven leading industrial nations "keep anti-inflationary policies in place."

He added, "There is a danger that inflation might take off again."

Asked whether he would strive in Toronto to have a reference to inflationary dangers included in the final communiqué, Mr. Lawson

said, "I think it is possible to make some reference in the final communiqué, but it won't be aimed particularly at the United States."

At a meeting last month in Paris of the Organization for Economic Cooperation and Development, Mr. Lawson avoided calling for a tightening of U.S. monetary policy.

But he was quoted as having said that the growth of U.S. domestic demand "is currently rising uncomfortably fast."

The following day, Mr. Baker appeared to rebut Mr. Lawson's comment that excessive domestic consumption in the United States posed a new inflation threat.

Mr. Baker told the Council on Foreign Relations in Paris that "our economy is making the transition to being an export-driven economy with a minimum degree of dislocation."

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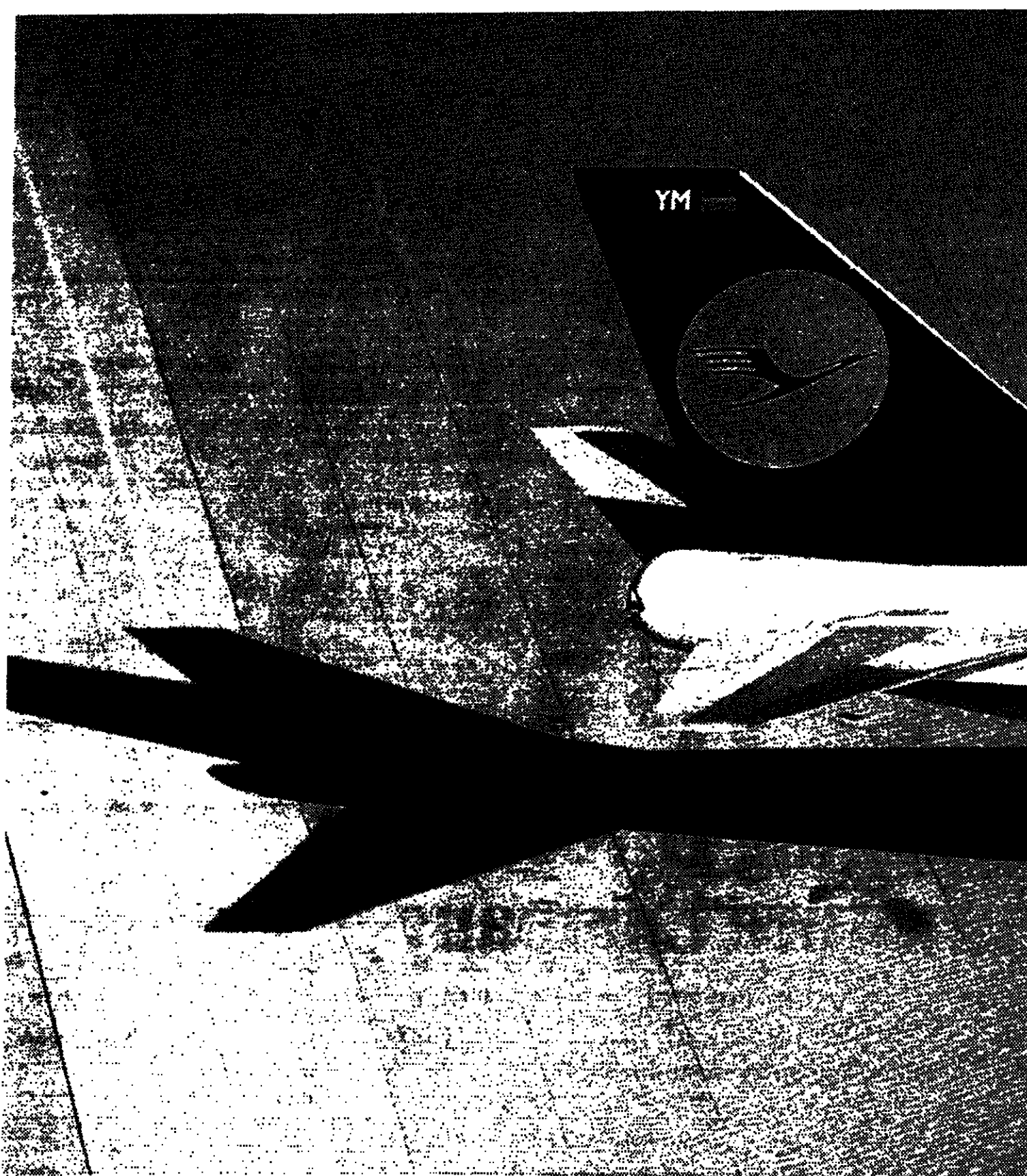
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Herpes Raises AIDS Risk, Studies Show

By Michael Specter

STOCKHOLM — People who have herpes, the most common venereal disease in the United States, are much more easily infected by the AIDS virus than those without the disease, several groups of scientists reported Wednesday.

Previous research has shown that other sexually transmitted diseases had contributed to the rapid spread of acquired immune deficiency syndrome among heterosexuals in Africa. But the work reported here at an international conference on AIDS is the first to show that genital herpes, which affects as many as 40 million Americans, helps the AIDS virus infect human cells.

"People with genital herpes who have many sex partners should consider themselves to be at very high risk" of infection with HIV, the human immunodeficiency virus, said Dr. Thomas C. Quinn, an AIDS specialist at the National Institute of Allergy and Infectious Diseases and the Johns Hopkins Medical Institutions.

"It's very clear now that co-factors do serve to enhance transmission of the virus," he said.

Dr. Quinn and other researchers said that research had shown that HIV could infect people easily even when other factors were absent. But herpes, which causes genital sores, increases its ability to spread.

Dr. Quinn's group, and another research group at the Centers for Disease Control, have attempted to discover why some people are much more easily infected with the AIDS virus than others.

Studying more than 5,000 clients at a Baltimore clinic for people with sexually transmitted diseases, a team led by Dr. Quinn found that people there were at least twice as likely to be infected with the AIDS virus if they also had herpes.

Even after discounting differences in age, race, drug use and past treatment for syphilis, the researchers found that herpes simplex-2, or genital herpes, was associated among heterosexuals with a much higher risk of HIV infection.

It has been difficult for scientists to ascertain whether diseases such as syphilis and herpes enhanced AIDS infection, because much behavior that increases a person's risk of contracting AIDS — a large

number of sexual partners, and rare use of condoms, for example — also would increase the risk of contracting other sexually transmitted diseases.

In an effort to sort out the difference, researchers from the Centers for Disease Control examined frozen blood samples from 283 homosexuals from San Francisco, who were followed closely, beginning in 1978, when they joined a study on hepatitis vaccine.

The study was able to look at serum from men not yet infected with HIV. The researchers then studied the blood to see if herpes infections were present before the HIV infections.

For comparison, the researchers examined the blood of men who were not infected but who had serum drawn in the same year and remained free of HIV.

"Clearly, herpes preceded HIV in at least two-thirds of the men we studied," said Dr. Scott D. Holmberg of the Centers for Disease Control AIDS program. "It would be impossible to draw any conclusion other than that herpes can play some role in HIV infection."

Experts find these data disturbing, because the rates of herpes, chancroid and syphilis have risen sharply among heterosexuals in the past several years.

Chancroid is a bacterial infection that causes ulcers that make it much easier to absorb and transmit the AIDS virus.

According to the American Social Health Association, there are more than 500,000 new cases of herpes in the United States a year.

"One implication of this data is clear," said Lawrence Corey, professor of epidemiology at the University of Washington. "Public health officials need more money, better reporting and more readily available technology to deal with herpes."

"We don't count cases, or report them or attempt to control infections," he said. "You can't go crazy over an HIV epidemic and ignore these facts."

Since 1981, when the AIDS epidemic began in the United States, work on other sexually transmitted diseases has been overshadowed as resources have been shifted to AIDS programs.

BOAT: Hong Kong Acts

(Continued from Page 1)

ese refugee population of more than 16,000, 20 percent of whom have been living in closed camps for more than five years while awaiting resettlement.

Officials say Vietnam's weak economy has driven out large numbers of farmers and fishermen from Northern Vietnam who do not qualify as genuine refugees under the United Nations definition of one seeking refuge from persecution on grounds of race, religion, nationality, or membership of a particular social or political group.

Mr. David said at Wednesday's session of the Legislative Council that the major resettlement countries "are increasingly unwilling to accept these people, particularly ethnic Vietnamese from North Vietnam, as refugees for resettlement purposes."

Government officials had emphasized this point in meetings with the British foreign secretary, Sir Geoffrey Howe, who visited the territory last month. He called the refugee situation an "intolerable burden" on Hong Kong, a phrase echoed by officials in Hong Kong.

More than 7,500 Vietnamese boat people have arrived in Hong Kong this year, almost double the total for all of 1987, but the number of those resettled was only 1,174 as of mid-June. Last year was the first time since 1979 that arrivals, at 3,395, exceeded departures, at 2,212. Officials said that refugees currently living in closed camps in Hong Kong will continue to be processed for resettlement.

In Geneva, the United Nations High Commission for Refugees criticized the timing of Hong Kong's action.

It said that it remained concerned that "unilateral decisions by parties involved could seriously compromise the collective efforts to reach a coordinated solution."

The commission said it was involved in discussions with all parties, including the Hanoi government, about a program to determine refugee status.

Cambodian Peace Talks

Cambodian peace talks involving the three main guerrilla groups and the Vietnam-backed Phnom Penh government are now almost certain to take place next month, Moscow Radio said this week.

A translation of the Cambodian-language broadcast was received on Wednesday, Reuters reported from Bangkok.

The report said Indonesian, Thai, Vietnamese and Laotian representatives would join the meeting later to discuss a political settlement and regional stability.

Hanoi Unites Leaving

Vietnam announced Wednesday that it will withdraw its military command from Cambodia on June 30 as part of a planned pullout of about 50,000 troops by the end of the year, The Associated Press reported from Bangkok.

ETHNIC: Armenia Asks to Unite With Disputed Land

(Continued from Page 1)

troika, possibly the most serious blow recently," the Communist Party youth newspaper *Komsomolskaya Pravda* said Wednesday. "This is a challenge to the ideals of glasnost, a chance for conservatives to strengthen their point of view."

Since February, the dispute over Nagorno-Karabakh has prompted a series of mass protests in Soviet cities and Yerevan, Baku and Stepanakert and has caused economic hardship throughout much of the southern part of the Soviet Union, according to official Soviet reports.

Soviet officials and Western analysts say they regard the chances that Moscow will concede to unite Nagorno-Karabakh and Armenia as minimal, mainly because of Azerbaijan's resistance to the move and the fact that it would establish a precedent that other Soviet ethnic groups could use to buttress their own demands.

Already, the presidium, or execu-

tive body, of the Supreme Soviet of Azerbaijan has rejected proposals for the reunification of Nagorno-Karabakh and Armenia, a motion that is certain to be repeated when the entire Azerbaijani parliament meets on June 17.

Instead, Moscow is more likely to propose a compromise, such as making Nagorno-Karabakh, a region of 160,000 residents, an autonomous district independent of the republics of Armenia and Azerbaijan.

Proposals to grant Nagorno-Karabakh autonomy were discussed at a meeting of senior Kremlin officials in Moscow on June 9, according to unconfirmed reports.

Western analysts in Moscow said any compromise was not likely to be broached until later in the summer.

Journalist Proposes Vote

A prominent journalist proposed radical changes in the Soviet political system on Wednesday to permit

the Soviet people to vote for their top leader and strengthen the government's nominal parliament, United Press International reported from Moscow.

The journalist, Fyodor Burlatsky, who has close ties to Mikhail Gorbachev, suggested that delegates to the special Communist Party conference later in June consider holding U.S.-style elections in which the party's general secretary would have to test his popularity in a public run through secret balloting for the government post of president.

"Taking into consideration the importance of the post of the leader of the country, it might be expedient to discuss the question of changing to the presidential principle of electing the leader," he wrote in *Literaturnaya Gazeta*.

Mr. Burlatsky did not specify what would happen under his proposal if the presidential vote went against the general secretary.

INTERNATIONAL POSITIONS

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Reagan Says Wright Inquiry Needs Special Prosecutor

Reviews

WASHINGTON — President Ronald Reagan said Wednesday that he believed a special prosecutor should be appointed to inquire into reports of misconduct by the House Speaker, Jim Wright, Democrat of Texas.

"I think everyone would feel that it was more proper if it was done by an investigator outside — an appointed investigator," Mr. Reagan said in an interview with several foreign newspapers when asked about a House ethics committee investigation of Mr. Wright.

Mr. Reagan made the comment after first declining to discuss the investigation by the House committee, which decided last week to look into accusations that campaign funds were used to pay for

publication of a book about Mr. Wright and that government resources were used to complete work on the book.

Mr. Wright has denied any wrongdoing, called the accusations politically motivated and called for a quick investigation that he said was sure to exonerate him.

Mr. Reagan issued the call for a special prosecutor, or independent counsel, when he was asked if it was proper for Mr. Wright to be investigated by a House committee. "I have to wonder if it should not be an independent counsel from the standpoint of the relationship of the speaker to the majority of the committee," he said.

Mr. Reagan was apparently assuming that the ethics committee is dominated by Democrats. The 12-member panel is in fact evenly divided between Republicans and Democrats.

INTERNATIONAL POSITIONS

ARIANE: The Right Stuff

(Continued from Page 1)

cials of the National Aeronautics and Space Administration and Morton Thiokol Inc., the builder, said the rocket's redesigned joints and other parts appeared to have withstood the most extreme heat and stresses likely to be encountered in a launching.

A failure of a booster joint led to the January 1986 explosion that destroyed the Challenger space shuttle, killing its crew of seven.

The firing of a full-scale production model of the solid-fuel rocket was conducted at Morton Thiokol's plant near Brigham City, Utah. Engineers said a more comprehensive assessment of the results would be made in two weeks.

The first flight of the shuttle Discovery, with the modified boosters, is set for Aug. 31, though most officials concede that it could slip into September if routine engineering problems crop up.

Policeman in Detroit Kills Self and 3 Others

United Press International

DETROIT — A suspended police officer shot and killed three persons and injured a fourth on Wednesday, and then killed himself, the police said.

The police said the dead included two women, 37 and 19, and a boy, 9. The shootings apparently followed a domestic dispute. A police spokesman did not know why the officer had been suspended.

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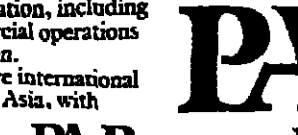
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Pages 22 & 17 FOR MORE CLASSIFIEDS

Sweden: Walking Softly

IN THE NEWS

Feb. 8: Clerical Workers End 3-Week Strike

An agreement is reached between the Swedish Union of Clerical and Technical Employees in Industry and the Industrial Employers' Organization ending a three-week strike at leading companies. More than 90,000 white-collar technical and clerical employees were involved in the strike over pay increases.

April 28: Revised Budget Is Approved

The government was approved for a revised budget that includes an indirect tax on corporations' cash reserves. The provision would compel companies to deposit 15 percent of their cash holdings in a special low-interest central bank fund until July 1990. The provision is intended to spur corporations to increase their spending.

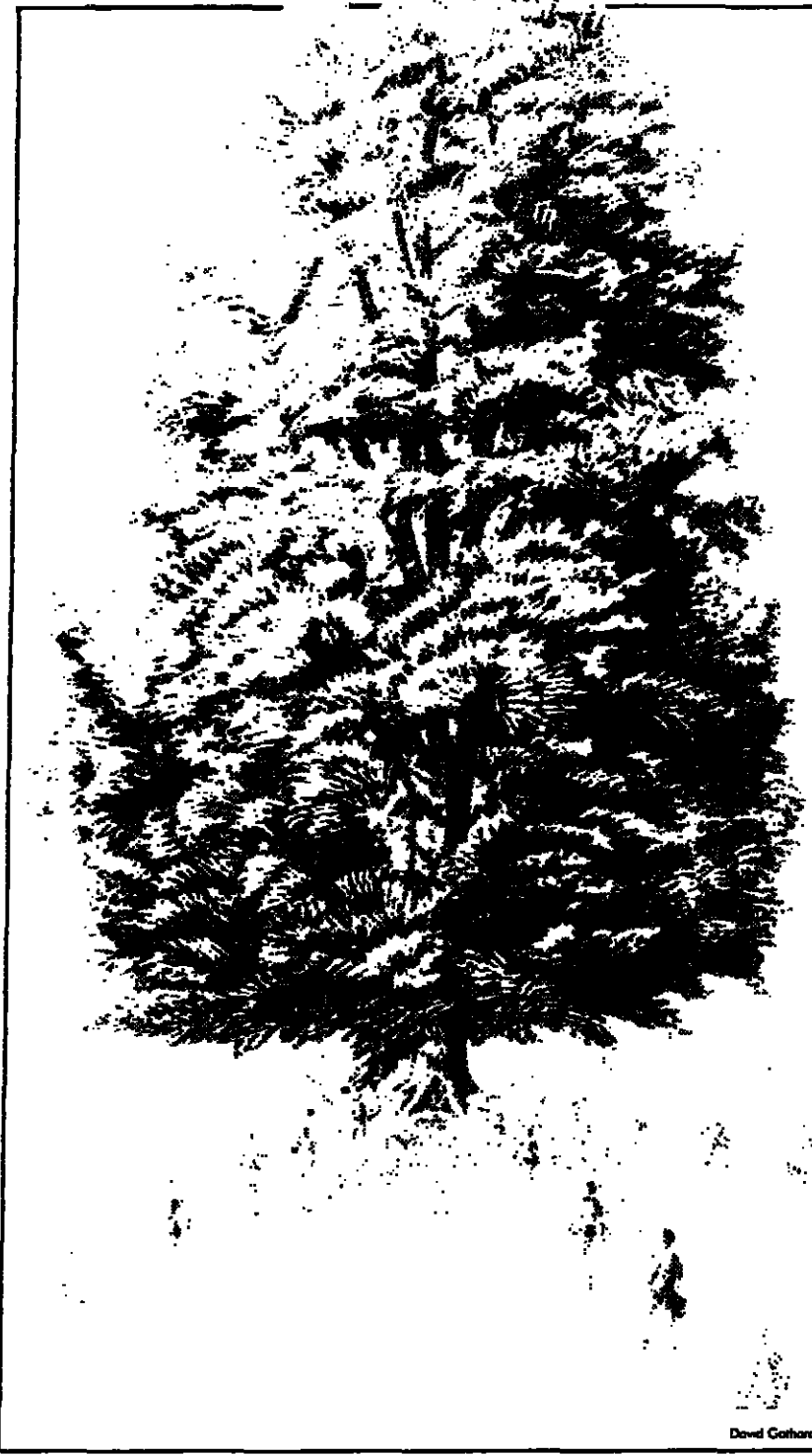
June 7: Bill Is Adopted To Dismantle Reactors

The Riksdag adopts a bill to dismantle the first of Sweden's 12 reactors and establishes a mechanism for deciding when to shut the others within 21 years. Under the law, two reactors are to be unplugged by 1996, one in the Barseback complex in southern Sweden, and another in Ringhals on the west coast. Swedes voted in a 1980 non-binding referendum to dismantle nuclear reactors by the year 2010.

June 8: Justice Minister Resigns Over Palme Case



Justice Minister Anna-Greta Leijon resigns because of disclosures that she authorized an unsupervised freelance investigation into the assassination in 1986 of Prime Minister Olof Palme. Her resignation was intended to head off a no-confidence vote in the Swedish parliament that could have toppled the minority government of Ingvar Carlsson.



David Gustafson

A Low-Key Approach

Carlsson Bolsters Socialist Camp With a Youth-Oriented Campaign

By Chris Mosey

STOCKHOLM — Prime Minister Ingvar Carlsson of Sweden is approaching his first general election as Social Democratic leader this fall, as he enters most other confrontations in political life — with a shyly disarming, unassuming smile on his face.

Since taking over after the assassination of his more charismatic predecessor, Olof Palme, two years ago, Mr. Carlsson, 54, has elevated timidity to a tactic, shyness to a strategy and dull deliberation to doctrine.

His low-key approach, for example, in the recent crisis that led to the resignation of his justice minister, Anna-Greta Leijon, served to make the opposition appear an undignified, opportunistic chorus of dissent. Mr. Carlsson defused what could have been a major scandal for the Social Democrats by reducing his input to the minimum necessary.

The slow care with which he tackles issues and his lack of concern with personal projection are in stark contrast with Mr. Palme's brilliant, off-the-cuff and sometimes ill-judged intellectual fireworks.

Yet, perhaps it is not too fanciful to see Mr. Carlsson as representing a new breed of successful politicians, similar to Michael S. Dukakis, the Democratic candidate for the U.S. presidency. Perhaps dull is now beautiful.

Mr. Carlsson's election campaign is heavily youth-oriented.

"I am really tired of egoism," runs the slogan over a Social Democratic Party poster, the sentiment voiced by an upper-class woman with a delicately chiseled beauty, an archetypal Young Conservative who is obviously having second thoughts.

If one is to believe the image-makers, yuppies, who only established a tenuous foothold in Sweden, are now a dying, if not dead, breed, and a new generation of concerned youth is emerging: clean-shaven, short-haired, well-dressed and basically conformist but entrusting its future to middle-of-the-road socialism.

They also have definite ecological sympathies, and the Social Democratic campaign has played to this concern.

Environment Minister Birgitta Dahl has

proposed to outlaw the use of the gas freon, which is thought to be responsible at least in part for the rapidly developing "hole" in the ozone shield in the upper atmosphere.

On one Social Democratic poster, a young man says: "We shall show the world it can be done. Sweden [will be] first with a ban on freon."

On another poster, a young man, chin cupped pensively in an elegantly gloved hand, says: "Industry won't invest a penny in the environment if there's nothing in it for them."

Against this highly professional campaign, the opposition is floundering badly. The Conservatives have come up with a series of simple,

dence in his abilities as a possible prime minister.

Still more at a disadvantage against Mr. Carlsson, Olof Johansson, 51, has presided over the once-powerful Center Party for little more than a year and has made little effort to develop a profile with voters.

As a result, it is the Liberal leader, Bengt Westerberg, 45, who will pose the biggest threat to Mr. Carlsson. He is, in fact, the only party chairman to have fought a previous election as leader. He took over in 1983 and contested with considerable success the 1985 election, which was won by Mr. Palme.

The Social Democratic Party secretary, Sten

The Social Democrats are courting the ecologists, who could hold the balance of power in the election.

imageless slogans, such as "Torn schoolbooks and no grades — change government."

The intention is to focus on the harsh realities of rule by the left, to pinpoint declining standards, in this case in the reformed, egalitarian, noncompetitive school system. The effort, however, is reckoned by media watchers to be rather "a downer," pessimistic and lacking in dynamism compared with the "upbeat" message of the Social Democrats.

The Social Democrats are ahead not only in terms of image. Mr. Carlsson, despite his short tenure, has been able to radiate an "elder statesman" aura.

The Conservative chairman, Carl Bildt, 39, youngest of the party leaders, suffers badly from his inexperience and his youth. He took over two years ago following the resignation of Ulf Adelsohn and has had little chance to develop an image.

Opinion polls show a steady decline in confi-

Andersson, however, has warned party supporters against complacency. "We could do with dropping a few percentage points in the polls," he told a meeting in the southern city of Malmö. "Then there might be a bit more fire in our campaign."

While the Social Democrats seem set for victory, his warning is salutary. The two blocs have remained basically balanced for years, with the scales tipping usually toward the left.

The interesting thing about the election is the influence of the Greens. Opinion polls earlier this year suggested that they could hold the balance of power. While their position appears to have weakened, they could still swing votes away from the Communists, who may as a result fall below the 4 percent total needed to gain admission to the Riksdag, or parliament.

Deprived of traditional Communist support, Mr. Carlsson might then be forced to make a

Continued on page 10

The Economy

Inflation Fears Dampen Boom

By Juris Kaza

STOCKHOLM — Inflation worries are clouding the overall performance of the Swedish economy. And last month, inflation reached its highest level since 1985, economists said Tuesday.

Figures from the Central Bureau of Statistics showed that prices rose at an annual rate of 6.7 percent in May, a figure unmatched since September 1985. The monthly rise of 0.4 percent was, however, lower than the previous month's rise of 0.9 percent.

With key sectors of industry running at full capacity, the boom itself is apparently becoming an inflationary factor, economists say. In the medium term, the boom will slack off, forecasters note, but add that the economy is performing better than expected.

National elections are scheduled for September, and few observers expect any sharp austerity measures by the incumbent Social Democrats before then.

"We have high capacity utilization and a strong demand for labor, so we think relative unit labor costs will do badly again this year," said Lillemor Thalén, a vice president and economist at Svenska Handelsbanken.

Handelsbanken sees Swedish labor costs rising 8 percent in 1988, compared to 7 percent in 1987. For 1989, Ms. Thalén sees another rise of between 7 percent and 8 percent, at the same time as the international markets cool off and competition sharpens.

"Against the background of the overheated labor market, I would say the collective bargaining round we have had is a success," said Nils Lundgren, chief economist at Post och Kreditbanken (PKBanken), the state-owned commercial bank. "Wages will go up between 7 and 7.5 percent, and that's about average for the past few years in Sweden, but 2 or 3 points above our competitors."

Mr. Lundgren said that such trends went unnoticed so long as "Sweden has probably the highest productivity in the industrialized world." He said the country's lead would be dangerously eroded by the time policy makers noticed.

Economists agree that the first Swedish export industry to be hit on relative costs will be paper and pulp.

"You have the forest industry in the United States and Canada with nearly half the cost level of Sweden, but all output is sold at home," said Mr. Lundgren. "Just marginal exports would suffice to cause prices to fall, and the damage to Sweden's current account would be considerable."

"The United States won't be too active on the European paper and pulp market as long as the domestic market is strong," said Hubert Fromlet, chief economist of Swedbank, the commercial bank owned by Sweden's savings banks. "But if there is a decline in this demand and the dollar remains low, they will be more active."

Mr. Fromlet said the dollar had reached "fragile stability" but added that "a lower rather than a higher dollar is likely in the next 18 months." The Swedbank economist added, however, that he considered a U.S. recession very unlikely in the foreseeable future. The United States is the single largest export market for such major industries as automobiles.



Workers close off a roll at a paper mill in Timra, north of Stockholm.



Kjell-Olof Feldt

Both Saab and Volvo have reported lower U.S. sales.

Economists say that because of its currency basket, Sweden is less affected by a lower dollar than its main European competitors, since the krona tends to decline along with the dollar against the Deutsche mark.

"This means a continued good to satisfactory outlook for Swedish export companies," noted Mr. Fromlet. Still, Swedbank expects a slightly wider current account deficit of 13 billion kronor in 1989, compared to a forecast

12 billion kronor in 1988 and a 5 billion kronor deficit in 1987.

Looking ahead to the fall election, bank economists say that economic problems will remain the same whether Prime Minister Ingvar Carlsson and the Social Democrats remain in office or not.

Finance Minister Kjell-Olof Feldt, who generally gets good marks from the business community, drove through a tax on money-market trading as well as a compulsory deposit of a part of Sweden's corporate liquidity in blocked accounts.

Mr. Lundgren, a Social Democrat, said that "you need some gestures at this stage to be seen as striking against the capitalists." The most serious long-term problem, he said, is that Europe's longest-ruling Social Democrats have to agree on some policy for reducing the nation's huge public sector spending and bringing labor costs into line with the rest of Europe.

"If the Social Democrats cannot get used to these ideas, they will be pushed aside and we will have governments of the other side," Mr. Lundgren said. "I believe there are lots of leading Social Democrats who want their party to remain the 'natural' ruling party of Sweden."

Ms. Thalén of Handelsbanken said the election could only have consequences if the environmental party, the Greens, replaced the small Communist Party as the swing vote in the Riksdag, or parliament. The Communists have generally supported the Social Democrats, but in recent polls they have slipped below the 4 percent limit required for representation in parliament.

JURIS KAZA, a Stockholm-based journalist, contributes regularly to the International Herald Tribune.

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Ingvar Carlsson

Campaign Woos Youth

Continued from page 9

deal with one of the non-socialist parties, perhaps the Liberals, in order to form a government.

As the election nears, however, the Greens appear to be losing support, perhaps because so many of their ideas have been incorporated in the programs of the other parties, and perhaps also because Swedes, while great nature lovers, believe in efficiency far more and see the Social Democrats as the only party capable of governing effectively.

Apart from a labor dispute at the start of the year involving 80,000 workers in the manufacturing industries, the economy has continued on even keel. Unemployment is below 3 percent, and Finance Minister Kjell-Olof Feldt has promised tax cuts.

Meanwhile, Mr. Carlsson has enhanced his reputation with visits to Moscow, Washington and Beijing. He has also toured the European Community capitals of Madrid, Brussels, Bonn and London.

Cheered on by most leading industrialists, he has edged Sweden closer to the European Community, while keeping short of applying for membership on the grounds that the country's traditional policy of armed neutrality might be compromised.

He has even continued the Palme policy of criticizing U.S. actions in Latin America.

Beneath a shy, unassuming exterior, Mr. Carlsson appears to be an extremely clever politician. A victory on Sept. 18 may be the start of a process in which he will, like his predecessors Per Albin Hansson and Tage Erlander, come to be referred to by Swedes as a *landsfader*, or national father figure.

A landsfader should, above all, be reliable. If he also is dull, that counts for little in a country that does not cherish individuality.

CHRIS MOSEY is the Stockholm correspondent for The Times of London and The Observer.

Liberalization Forces Banks Into Rapid Restructuring

By Mats Hallvarsson

STOCKHOLM — Credit markets and the banking sector are a good example of the Social Democratic government's new market orientation.

Liberalization is forcing the entire industry into rapid structural change, and there is more to come. Happily, the process is helped by two years of high company profits.

The oligopolistic Swedish banking industry, with three national clearing banks, seven regional banks, a national net of savings banks and a handful of foreign banks, has had another good year. Profits were on average 7 percent down, but still very healthy after a record year in 1986. This showed almost a two-fold increase compared with 1985.

The three big banks — Skandinaviska Enskilda Banken (SEB), Handelsbanken and Post och Kreditbanken (PKBanken) — could keep their return on equity at its unprecedented level, but several of the smaller banks saw their returns fall to more normal levels.

Most of the big increase in banking profits over the last two years came from interest-earning business, reflecting the better balance in the Swedish economy and the generally lower market rates. But earnings from commissions and other businesses have also kept up well as a result of the stock market boom.

Although several banks, including Handelsbanken and Gotabanken, two of the largest commercial ones, lost fortunes in the October crash from trading futures and options, banks in

general have been sharing in the current stock market upswing.

Overseas investors have bought an estimated 4.5 billion kronor (\$900 million) of shares in the Stockholm bourse in the five months following the crash. The stock market has risen by 34 percent this year, and between 1980 and last October, it climbed by over 400 percent — among the world's best performers.

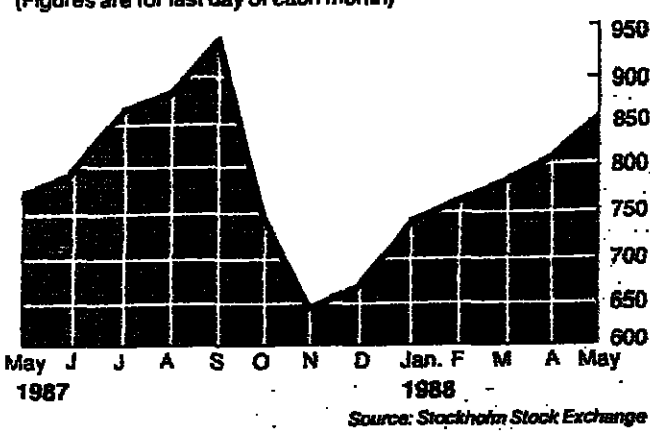
The effects of the radical liberalization of the credit markets are only just beginning to be felt in banking circles. Since the Social Democrats' return to power in 1982, the central bank has stripped itself of most of its regulatory power, that is, quantitative restrictions on lending, liquidity quotas and fixed interest rate limits for the banks.

This has been coupled with a rapid growth of completely new credit and financial services, among them like a very active money market, option markets and financial futures market. Even foreign exchange regulations have been eased, making it easier for companies to finance investments abroad and increasing possibilities for individuals to invest in foreign securities.

The liberalization moves have also made banks more market driven and have intensified competition. In the last 12 months, they have gone after the consumer, competing with interest rates at a pace that has worried both the government and the central bank. Sweden's external balance does not allow a consumer boom. The answer was a temporary brake, with higher discount rates in the beginning of May.

The Stock Market's Upswing

Stockholm Bourse Index
(Figures are for last day of each month)



The increased market orientation has also provoked a long overdue structural change of the banking sector.

After two big mergers at the beginning of the 1970s — between Stockholm Enskilda Bank and Skandinaviska Banken into SEB — and between Kreditbanken and Postbanken into PKBanken — it was for long taken for granted that the authorities did not want a further concentration of the banking sector.

But three years ago, two investment groups, LE Lundbergforetagen and Proventus, took big stakes in several of the smaller regional banks, with the obvious aim of creating bigger

entities and possibly banking and financial services holding groups.

Their timing was awkward for the government, which was waiting for a credit committee to propose a new set of laws for the whole credit market. Among the proposals are, according to members of the committee, a limit for ownership in banks of a maximum 10 percent.

The government had to come up with some special provisions, which, in the case of LE Lundbergforetagen, more or less forced it out of one of the banks it controlled. Proventus had to promise to decrease its share of Gotabanken, the fourth biggest money center bank in Sweden.

But it is a sign of the times that Proventus, with tenacity and shrewdness, has succeeded in creating a more or less full-blown financial services house with a holding company, Gota, at the top, and controlling interests in Gotabanken and Wernlandsbanken, finance companies. This move merged two brokers into one of the top 10 players in the securities markets.

It is also an indication of a trend that the state-controlled PKBanken — it went public with a minority portion of its shares four years ago — bought the biggest and most successful of the brokerage houses, Carnegie Fondkommission, two months ago.

It provoked a small uproar in the labor movement. The selling company was controlled by Eric Fensler, Sweden's most successful financier. Union leaders did not like to see the "state-controlled bank" doing business with a private financier, living abroad and, as a result of the payment in PK shares, getting one of the biggest interests in the bank.

Privately, representatives of the government repudiate this argument but are more concerned with the price the new chief executive officer of PKBanken, Christer Zetterberg, is prepared to pay. He values Carnegie Fondkommission, with 130 employees and annual earnings averaging 220 million kronor over the last four years, to 2.7 billion kronor.

The deal will radically alter the competitive position of PKBanken in the securities markets, where it has been very weak compared with SEB-Banken and Handelsbanken. And it will also further dilute the state's

holding, an indication of the political strategy for the banking markets.

Nobody expects the liberalization to go further, especially in view of the Swedish parliament's explicit will to integrate the Swedish economy with the European Community. Many radical reconsiderations will have to be done and reciprocal legislation enacted. Small steps have already been taken.

At the beginning of 1986, foreign banks were allowed into Sweden and soon 12 began operations. Their results have been disappointing. Only two showed operating profits, and only modestly so. Nobody expected quick profits, but a rather hefty increase in their combined total loss the second year is proof of over-optimism.

Four of the foreign banks have now closed down branches and are operating in Sweden with representatives. One of the reasons for the poor performance is probably the fact that their prime targets in Sweden, the big multinational companies, these days are so full of cash that they tend to compete with the banks through their own finance companies.

But it is very likely that the foreign banks will soon have better opportunities to share in the profits of the Swedish finance markets. The credit committee in its final white paper this autumn has proposed a measure allowing foreigners to buy stakes of up to 10 to 20 percent in Swedish banks and finance companies.

MATS HALLVARSSON is on the staff of *Aftonbladet*, a Swedish business weekly.

Economists Fear Research Drain to EC Following 1992

By Juris Kaza

STOCKHOLM — Some economists worry that Sweden may be slowly drained of industrial research and development capacity if it does not join the European Community or otherwise adjust its tax and economic policies to EC standards.

Other analysts think that the pace of Swedish investment "down in Europe," as Swedes often say, is adequate to keep Swedish corporations competitive in the EC after 1992 if no unexpected barriers are erected. The 12 EC members are pledged to remove all internal barriers to trade in goods and services by 1992.

Acquisitions have ranged from that of Swedish Match, now part of the Stora forest products group, which bought West Germany's Pappel floor coverings group and Wilkinson, the British-based match and shaving products group, to Ericsson's acquisition of part of the French CGCT telecommunications company.

A research drain is seen by some as one of

the hidden perils of nonmembership in the EC even if Sweden gets a very favorable nonmember relationship with the community before 1992 and even if none of the gloomy scenarios of discrimination come true.

Ulf Dinkelspiel, Sweden's chief negotiator with the EC, said that Sweden seeks "as close a cooperation with the EC as possible, but with regard to our neutrality. This doesn't permit cooperation on foreign policy or security policy, but otherwise we are for cooperation in all economic and social areas."

For Swedish-based multinationals that already have footholds in the EC, it is tempting to center research where products can be developed for the single, post-1992 market and where scientific and engineering talent can be recruited from the whole EC at lower cost.

"The biggest threat is that we lose the motor of the corporation, and that Sweden becomes a supplier of raw materials or partially manufactured parts," said Kristofer Eriandsson, a specialist on EC issues at the Swedish Industry Federation. "After 1992, you will have not only

a single labor market, but also a single capital market for funding your research."

Nils Lundgren, the chief economist of PKBanken, the state-owned commercial bank, pointed out that "the financial services of the big Swedish multinationals have already moved to Europe, and others are doing and planning the same."

Mr. Eriandsson, however, added that most of the Swedish direct investment boom in Europe has been "simply based on economic attractiveness, rather than a perceived threat." In the mid-1980s, he noted, the strong dollar made acquisitions in Europe relatively more affordable. In 1987, he said, "the EC accounted for half of Sweden's foreign direct investment, or 12.2 billion kronor (\$2.1 billion) out of a total 23.9 billion kronor."

A member of the Social Democratic Party that has ruled Sweden since World War II with a six-year break from 1976-1982, Mr. Lundgren said there are reasons of politics and prestige for keeping Sweden as close as possible to the EC.

"It is a great worry in Social Democratic circles that Sweden at the start of the next century will be full of well-clothed, well-fed workers, with the elite down in Europe," he said.

At ABB, the merged Asa Brown Boveri, Jan Martinsson, a vice president in charge of research at the Swedish subsidiary, dismissed fears that researchers would be flocking to the EC.

He said that "industrial research has to be done in a very close relationship to the commercial and manufacturing activity."

"For ABB, the Swedish R&D leg is very strong because the industrial part of ABB in Sweden is strong, profitable and high tech," he added.

Last year's merger of Sweden's Asa and the Swiss Brown Boveri group, with its strong EC presence though a German subsidiary, was seen by some analysts as a new model for the future development of Sweden's top multinationals.

With a strong European partner, Asa

moved its headquarters to Switzerland and ABB now conducts research at three centers — Vaasteraas, Sweden, Asa's old home town; Heidelberg, West Germany, and Basel, Switzerland.

At Svenska Handelsbanken, Lillemor Thalin, a vice president and senior economist, said that the threat from the EC after 1992, if any, is to "smaller and medium-size Swedish companies that aren't set up in that market."

She said she thinks that the establishment of ABB's headquarters outside Sweden is an isolated event.

"I don't see too many Swedish multinationals moving out unless it is this kind of a merger with a foreign company. Corporate taxation here is favorable, and I am not certain there are advantages in the EC," Ms. Thalin said.

Mr. Lundgren said that it is significant that ABB did not put its headquarters in an EC country, but rather in Switzerland. He said that his advice would be for Sweden to develop "more toward a Nordic Switzerland, with lower marginal taxes."

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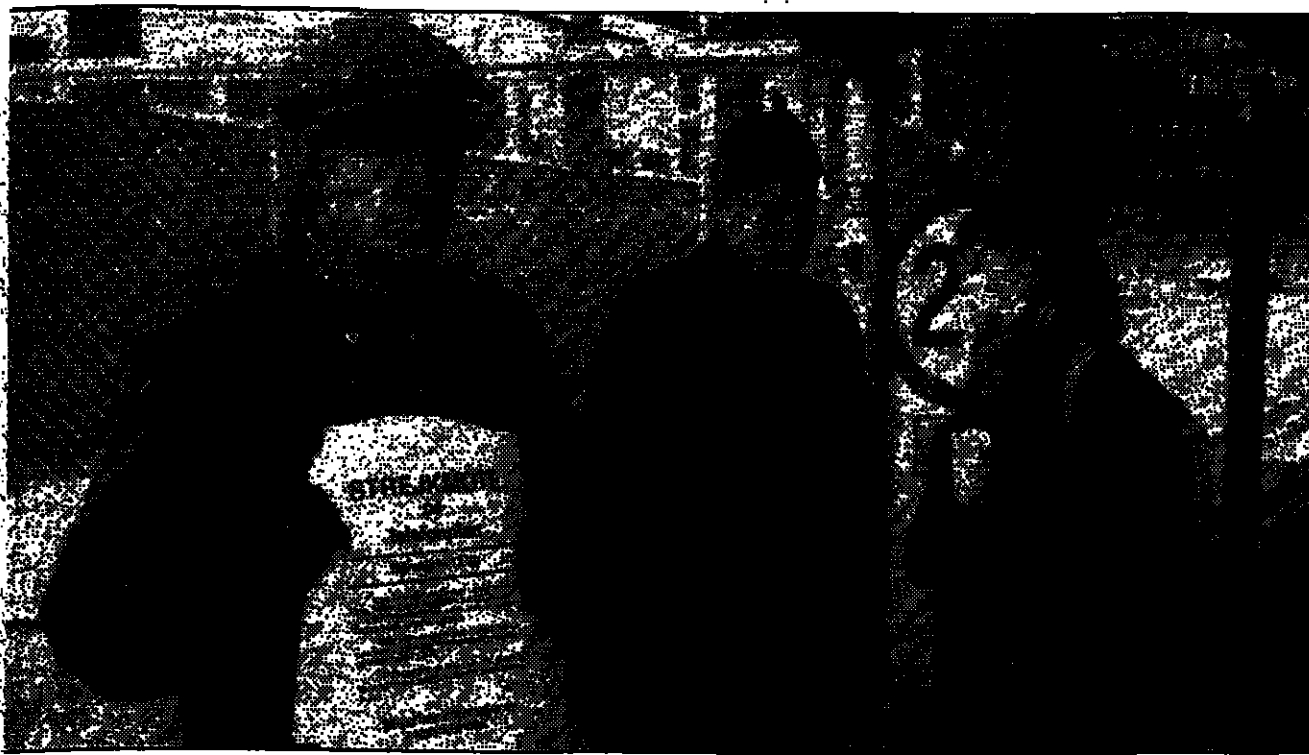
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Striking clerical workers gather outside of an Ericsson telecommunications plant.

Tobias Gustavsson/Reportage

Unions Show Signs of Discontent

By Chris Mosey

STOCKHOLM — Superficially, one can see the Swedish labor market in two ways. From the bosses' point of view, the unions and the ruling Social Democratic Party with whom they are inextricably linked, have created a virtual national "closed shop," wielding tremendous power and capable of bringing the country to its knees in pursuit of wage demands.

Then, seen from the unions' side, a sensible, generally conciliatory system of negotiation has been developed: the so-called centralized Swedish model has been superseded by a more flexible variant, thus far undefined. Under such, the unions have usually got the larger part of what they wanted.

However, a third way of looking at the country's annual wage bargaining round has gained force in recent years.

This is that the workers are victims of their inherent national traits of conformity and complacency in allowing the Social Democratic Party, via their union leaders, to place them in a virtual straitjacket when it comes to wage demands.

Finance Minister Kjell-Olof Feldt and Stig Malm, the head of the Landsorganisation (LO), the Confederation of Trade Unions, emerged from this year's round of negotiations in good spirits.

Mr. Feldt was able to claim that the 7 percent wage increase won by the unions for most of their members would not damage his inflationary goals; Mr. Malm said that real gains had been made, particularly on behalf of

the lower-paid workers whose increase was just over 10 percent.

The agreement was reached with unprecedented haste and with an absence of the usual threats and counterthreats that normally accompany the negotiations.

The impression is often given in Sweden that the show is actually run by a small club of people, too nice to be termed a conspiracy, and that democratic procedures are just for show after everything has been worked out well in advance over cups of coffee and cakes.

The underlying principle to life here is that if you toe the line, you will be well looked after. And the vast majority of Swedes are adept at toeing the line, conformity being a virtual way of life in a society that has made a quantum leap into the technological age without changing its basic attitudes and mores.

It is an impression only, not the whole truth. The whole truth is more complex, involving the possible start of a breakdown in the dominant conformity.

Growing independence on the part of individual unions showed up the fragility of the Swedish model, at least in principle. In practice, it has actually continued to function, with just a few unions managing their own independent bargaining with the bosses, the majority relying on LO.

Another, more palpable sign of discontent was a strike by 50,000 white-collar workers at the beginning of the year in pursuit of a pay claim. The strike hit several Swedish companies hard, particularly Volvo, the automotive giant.

Pehr G. Gyllenhammar, head of Volvo, clearly saw it as an ominous sign that the

power of the benevolent conspiracy was threatened.

"We are in danger of entering a state of decline and becoming the banana republic of northern Europe," he warned. "The public sector must not be allowed to contribute as much damage as that wrought by the private."

"We are more dependent on our export industry than other comparable countries," Mr. Gyllenhammar told a meeting of media leaders in Stockholm. "The media has to put industry in an international perspective."

He attacked the press for concentrating on countries such as Nicaragua, Argentina and Lebanon, rather than Europe.

Mr. Gyllenhammar is caught in a dilemma. As a Liberal, he welcomes any show of individuality and a possible break with the dominant socialist tradition. As a company head, he could scarcely welcome the break with conformity of the white-collar workers' strike, which, at the close of hostilities left Volvo the biggest loser, with an estimated 12 billion kronor (\$1.98 billion).

Other big companies affected were Saab, the auto and aerospace company, which lost an estimated 6 billion kronor, and Ericsson, the telecommunications giant, 2 billion kronor.

The union involved, the Swedish Union of Clerical and Technical Employees, finally agreed to a basic pay rise of only 1.9 percent. However, with other factors such as wage drift taken into account, the real increase is around 4.7 percent, and wage costs for the companies concerned will rise by 6 percent as a result.

As a mark of dissatisfaction with Sweden's "benevolent conspiracy" on wage increases, the strike may be a disturbing portent of things to come.

Merger Mania Sweeps Industry

Most of the acquisitions, in numbers and money terms, have been at home.

By Mats Hallvarsson

STOCKHOLM — Merger mania has broken out in Swedish industry due to large cash boards after one of the most successful years for the country's top industrial companies since the war. Eyes are fixed on the European Community.

"Even if Sweden is not going to join, Swedish multinationals are," as one executive puts it.

Helped by large devaluations, such as one of 16 percent in 1982, good economic growth in the West and a change of economic policy by the governing Social Democrats and the labor unions, the big multinationals have produced a string of record results.

The Social Democrats have embarked on a path of cautious liberalization, and the unions now accept high profits and, at least verbally, wage restraint — lessons, presumably, from the dismal 1970s.

Annual reports are full of optimism. The leading 15 multinationals show an average of a 15-percent increase in profits after financial net, which gives them an increase of 250 percent since 1981, or 22 percent for each year.

Profitability is equally very high. Last year return on equity for nine of the big companies was more than 15 percent, with 24 percent for the pharmaceutical company Astra, 22 percent for Volvo, the automotive company.

This means that the largest 15 companies, which represent 40 percent of the total market value of the stock market, for many years now have by far beaten inflation in increasing shareholders' value. In 1987, consumer prices rose 4 percent.

After so many years of high profits, companies have been able to accumulate. The average liquidity position among the big multinationals is 23 percent of turnover, an increase of 10 percentage points since 1984.

This is one of the prime forces behind the merger boom during the last two years, accelerating into a merger mania since last autumn. Swedish companies have made acquisitions of nearly 50 billion Swedish kronor (\$8.3 billion) in only eight months.

Most of the acquisitions, in numbers and money terms, have been at home, which is not normally the case for the big Swedish multinationals. Active in mature markets and following strategies of dominance, their normal way



Rats undergo asthma drug tests at an Astra lab.

of growth has for many years been buying market shares abroad. Electrolux, the world's biggest white goods producer, is a typical case.

But during the last six months, the whole forest industry in Sweden, the biggest in Europe, has reached a very high degree of concentration.

The pulp and paper company, MoDo, has finally succeeded in creating what is known as the "third forest block." In several swift and shrewd moves, MoDo has taken over Legssund, a manufacturer of "brown" paper, and Holman, (newsprint and hygiene paper), setting the record price in Sweden for a company merger of 6.1 billion kronor in March this year.

The two other "forest blocks," Stora and SCA, have also been very active. Stora, part of the Wallenberg holdings, recently paid 5.9 billion kronor for the equally Wallenberg-dominated Swedish Match (matches and building materials). SCA expanded abroad by letting its affiliated company Mölnlycke (hygiene products) buy its French competitor, Peandouze, for 2.1 billion kronor in January.

Other sectors have followed the same pattern. The building industry is now strongly dominated by three giants. Skanska, which in stages has bought JM this spring, SPA and NCC, Nordic Construction Company. NCC is the result of the bid by Nordsieman for ABV, worth 3.2 billion kronor, completed in May.

The merger was an interesting example of a change in the attitude of the tightly knit web of Swedish industry. It was the first openly unfriendly bid of this scale and was soon followed by another one, in which the gas and energy company AGA put together a consortium to take over Grängsberg, a rich natural re-

sources company, for 5.7 billion kronor. The bid was hotly contested and fell through.

The merger trend has further concentrated the already highly consolidated Swedish industry. The same is happening in banking and finance, where a couple of big acquisitions and share transactions are building big groups and holdings with inter-Nordic links.

Sweden now has one of the world's most impressive collections of multinationals and big companies for its size. This worries some, especially the trade unions. They wonder what will happen to their influence on company affairs, when more and more of Swedish industry is located abroad. A particular worrying case is the recent megamerger between Asea and Brown Boveri into ABB, with legal status and head offices in Switzerland.

But on the whole, Swedish society has taken a benign stand on the issue. And one reason is probably the need to have companies with global marketing financial muscles when the European Community achieves its internal market in 1992.

The Riksdag, the Swedish parliament, has decided that the country's policy of neutrality is not compatible for the time being with membership in the European Community. But with these limits, it strongly advocates closest possible cooperation and integration. This strategy is a disappointment for many managers of multinational companies, many of which have most of their sales and production within the EC.

Therefore, it is safe to say that the merger boom is far from running its course.

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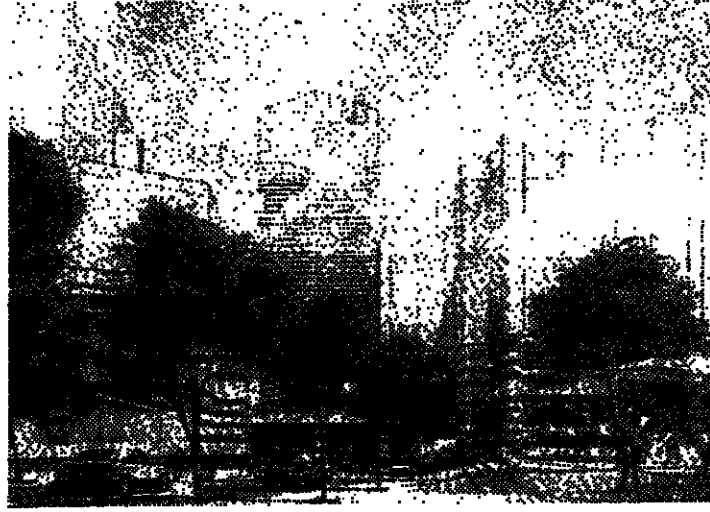
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Consolidated Balance Sheet, December 31, 1987.
In millions of Swedish Kronor (SEK M).
Exchange rate: SEK 1,000 = USD 169.69 (April, '88)

Assets	Liabilities and shareholders' equity
Bank balances	Current liabilities
Receivables	Uncompleted contracts
Investment and development properties	Invoiced sales from beginning of contracts
	Accumulated expenses from beginning of contracts
Other receivables	Long-term liabilities
Shares and participations	Unpaid reserves
Machinery and equipment	Capital stock
Fixed-asset properties	Reserves
	Net profit for the year
Total 24,685	Total 24,685

Consolidated revenue 1987 - SEK 19,631 M

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SCIENCE

The Wisdom of Old Age: Eriksons Offer a Passage

By Daniel Goleman
New York Times Service

CAMBRIDGE, Massachusetts — In his ninth decade of life, Erik H. Erikson has expanded the psychological model of the life cycle that he put forward with his wife, Joan, almost 40 years ago. Their original work profoundly changed psychology's view of human development. Now, breaking new ground, they have spelled out the way the lessons of each major stage of life can ripen into wisdom in old age. They depict an old age in which one has enough conviction in one's own completeness to ward off the despair that gradual physical disintegration can too easily bring.

"You've got to learn to accept the law of life, and face the fact that we disintegrate slowly," Mr. Erikson said.

On a recent afternoon, in a rare interview, they sat in their favorite room in a bay window of Mrs. Erikson's study on the second floor of their Victorian house near Harvard Square in Cambridge. "The light is good here and it's cozy at night," Mrs. Erikson told a visitor.

Although Mr. Erikson has a comfortable study downstairs, and Mrs. Erikson, an artist and author in her own right, has a separate workroom, they prefer to spend their time together in this quiet corner, in the spirit of their lifelong collaboration.

Mr. Erikson, who never earned an academic degree (he is usually called Professor Erikson), deeply affected the study of psychology. Many believe that his widely read books made Freud pertinent to the struggles of adult life and shaped the way people today think about their own emotional growth. He gave psychology the term "identity crisis."

When Mr. Erikson came to this country in 1933 from Vienna, he spoke little English. Mrs. Erikson, a Canadian, has always lent her editorial hand to those writings of her husband on which she did not act as co-author.

As Mr. Erikson approaches 87 years of age and Mrs. Erikson 86, old age is a topic very much on their minds. Their original chart of the life cycle was prepared in 1950 for a White House conference on childhood and youth. In it, each stage of life, from infancy and early childhood on, is associated with a specific psychological struggle that contributes to a major aspect of personality.

In infancy, for instance, the tension is between trust and mistrust;

if an infant feels trusting, the result is a sense of hope.

In old age, according to the new addition to the stages, the struggle is between a sense of one's own integrity and a feeling of despair, of despair about one's life in the phase of normal physical disintegration. The fruit of that struggle is wisdom.

"When we looked at the life cycle in our 40s," Mrs. Erikson said, "At 80, though, we look at other 80-year-olds to see who got wise and who not. Lots of old people don't get wise, but you don't get wise unless you age."

Originally, the Eriksons defined wisdom in the elderly as a more objective concern with life itself in the face of death. Now that they are at that stage of life, they have been developing a detailed description of just what the lessons of each part of life lead to wisdom in old age.

For instance, the sense of trust that begins to develop from the infant's experience of a loving and supportive environment becomes, in old age, an appreciation of human interdependence, according to the Eriksons.

"Life doesn't make any sense without interdependence," Mrs. Erikson said. "We need each other and the sooner we learn that the better for us all."

The second stage of life, which begins in early childhood with learning control over one's own body, builds the sense of will on the one hand, or shame and doubt on the other. In old age, one's experience is almost a mirror image of what it was earlier as the body deteriorates and one needs to learn to accept it.

In "play age" or preschool children, what is being learned is a sense of initiative and purpose in life, as well as a sense of playfulness and creativity, the theory holds.

Two lessons for old age that stem from that stage of life are empathy and resilience, as the Eriksons see it.

"The more you know yourself, the more patience you have for what you see in others," Mrs. Erikson said. "You don't have to accept what people do, but understand what leads them to do it. The stance this leads to is to forgive even though you still oppose."

The child's playfulness becomes, too, a sense of humor about life. "I can't imagine a wise old person who can't laugh," said Mr. Erikson.

"The world is full of ridiculous dichotomies."

At school age, the Eriksons' next stage, the child strives to become effective and industrious, and so develops a sense of competence; if he or she does not, the outcome is feelings of inferiority.

In old age, as one's physical and sensory abilities wane, a lifelong sense of effectiveness is a critical resource. Reflections in old age on the course one's life has taken especially comparing one's early hopes and dreams with the life one actually lived — foster humility. Thus, humility in old age is a realistic appreciation of one's limits and competencies.

THE adolescent's struggle to overcome confusion and find a lifelong identity results in the capacity for commitment and fidelity, the Eriksons hold. Reflections in old age on the complexity of living go hand in hand with a new way of perceiving, one that merges sensory, logical and aesthetic perception, they say. Too often, they say, people overemphasize logic and ignore other modes of knowing.

"If you leave out what your senses tell you, your thinking is not so good," Mrs. Erikson said.

In young adulthood, the conflict is between finding a balance between lasting intimacy and the need for isolation. At the last stage of life, this takes the form of coming to terms with love expressed and unexpressed during one's entire life; the understanding of the complexity of relationships is a facet of wisdom.

"You have to live intimacy out over many years, with all the complications of a long-range relationship, really to understand it," Mrs. Erikson said. "Anyone can flirt around with many relationships, but commitment is crucial to intimacy. Loving better is what comes from understanding the complications of a long-term intimate bond."

She added, "You put such a stress on passion when you're young. You learn about the value of tenderness when you grow old. You also learn in late life not to hold, to give without hanging on, to love freely, in the sense of wanting nothing in return."

In the adult years, the psychological tension is between what the Eriksons call generativity and caring on the one hand and self-absorption and stagnation on the other. Generativity expresses itself, as Mrs. Erikson put it, in "taking care of life from the life experience, well-digested."

The Completed Life Cycle

In the Eriksons' view, each stage of life is associated with a specific psychological conflict and a specific resolution. In a new amplification, lessons from each of the earlier stages mature into the many facets of wisdom in old age, shown in column at right.

Conflict and resolution	Wisdom in old age
Infancy Integrity vs. despair: wisdom	Existential identity; a sense of integrity strong enough to withstand physical disintegration.
Adulthood Generativity vs. stagnation: care	Caring, caring for others, and age-appropriate empathy and concern.
Early Adulthood Intimacy vs. isolation: love	Sense of the complexity of relationships; value of tenderness and loving freely.
Adolescence Identity vs. confusion: fidelity	Sense of complexity of life; merger of sensory, logical and aesthetic perception.
School Age Industry vs. inferiority: competence	Humility; acceptance of the course of one's life and unfulfilled hopes.
Play Age Initiative vs. guilt: purpose	Humor; empathy; resilience.
Early Childhood Autonomy vs. shame: will	Acceptance of the cycle of life, from integration to disintegration.
Infancy Basic trust vs. mistrust: hope	Appreciation of interdependence and relatedness.

what you've contributed to life."

Mr. Erikson sees a widespread failing in modern life.

"The only thing that can save us as a species is seeing how we're not thinking about future generations in the way we live," he said. "What's lacking is generativity, a generativity that will promote positive values in the lives of the next generation. Unfortunately, we set the example of greed, wanting a bigger and better everything, with no thought of what will make it a better world for our great-grandchildren. That's why we go on depleting the earth: we're not thinking of the next generations."

As an attribute of wisdom in old age, generativity has two faces. One is "caring," a Greek word for charity, which the Eriksons take in the broad sense of caring for others. The other is "age," a Greek word for love, which they define as a kind of empathy.

The final phase of life, in which integrity battles despair, culminates in a full wisdom to the degree each earlier phase of life has had a positive resolution, the Eriksons believe. If everything has gone well, one achieves a sense of integrity, a sense of completeness, of personal wholeness that is strong enough to offset the downward psychological pull of the inevitable physical disintegration.

Overall, the Eriksons contend that wisdom has little to do with formal learning. "What is real wisdom?" Mrs. Erikson asked. "It comes from life experience, well-digested."

Experimental First Is Set In Human Gene Therapy

By Larry Thompson
Washington Post Service

WASHINGTON — Scientists at the National Institutes of Health have designed the first medical experiment that would put genetically altered cells into human beings.

The proposed procedure, while not a therapy, would initially be used to help follow the progress of a new cancer therapy. More significantly, it would raise the curtain on a class of treatment that doctors have been pursuing for more than a decade. Ultimately, doctors hope, human gene therapy could be used to cure such illnesses as cystic fibrosis, muscular dystrophy and sickle cell anemia.

Before it can be attempted, the proposed experiment must go through an approval process that could take a year or longer.

In a description of the experiment filed with government officials this week, a research team that

includes Dr. Steven A. Rosenberg of the National Cancer Institute and Dr. W. French Anderson of the National Heart, Lung and Blood Institute has proposed inserting a "marker" gene into a newly identified type of cancer-fighting cell and then placing the altered cells into patients.

This first human gene therapy experiment would piggyback on another experimental treatment that Dr. Rosenberg has used to attack melanoma, a skin cancer, as well as kidney cancer. In that treatment, pieces of tumor are surgically removed, then white blood cells already attacking the tumor are isolated.

These cells, called tumor-infiltrating lymphocytes, or TIL cells, are stimulated with interleukin-2 (IL-2), a white-blood-cell growth hormone, and grown in the laboratory for 30 days. Doctors then inject some 10 to 20 million TIL cells back into the body, along with IL-2.

Dr. Rosenberg's preliminary report of experiments in nine patients suggests positive results. But the TIL technique apparently does not work in all patients, and Dr. Rosenberg's group is not able to track the TIL cells in the body to find out why. Radioactive tracers have been tried, but only short-lived tracers can be used to avoid harming the patient with radiation.

Instead, Dr. Rosenberg along with Dr. Anderson, a researcher who has long been interested in finding a way to use genetic engineering to cure inherited diseases, want to put a marker gene — which won't fade the way the radiation does — into the TIL cells to track them in the body. The addition of a marker gene is not expected to improve the TIL treatment, so there would be no additional benefit to the patients.

Nonetheless, the experiment is historic because it would for the first time remove human cells from the body, alter them genetically and return them. If successful, this experiment could help quell fears of some critics that genetic engineering of human cells poses unexpected dangers.

Dr. Anderson first described the experiment at a seminar last week at NIH.

"It is not the sort of experiment that one would normally think of as gene therapy," said Dr. William Gardner, head of NIH's Recombinant DNA Advisory Committee, which was created in the mid-1970s to review potential dangers associated with gene engineering experiments.

Scientists generally envision using gene therapy to alter the way cells work so that they make a missing protein. The absence or alteration of a gene, and the protein it makes, causes some 3,000 inherited diseases.

Along those lines, Dr. Anderson has been working on a technique to treat severe combined immunodeficiency (SCID), the disorder made famous by a Texas patient widely known as David, "the boy in the bubble." Children suffering from SCID lack a single enzyme required to make a normal immune system. Placing the gene that makes the enzyme into bone marrow cells may one day cure children with SCID.

Although the initial approach to gene engineering with the TIL cells will not be used to boost their cancer-fighting activity, the next round of experiments might.

If the first experiments work, the team would then attempt to boost the TIL treatment's effectiveness by genetically altering the cells to produce their own IL-2. This would allow the cells to stimulate their own growth and attack the cancer cells, thereby eliminating the need for IL-2 injections, which are believed to cause the side effects associated with this treatment.

The first review of the proposal will be held by a board of scientists and ethics experts at the cancer institute. From there it faces hearings from at least three other bodies before it is reviewed by Dr. James B. Wyngaarden, the NIH director, for final approval.

"The research community has been quite responsible in holding back on developing actual clinical protocols until the members of the research community were quite sure that certain questions had been clarified," said Dr. Leroy Walters, chairman of the NIH human gene therapy subcommittee that will conduct one of the reviews of the proposal and head the Center for Bioethics at the Kennedy Institute of Ethics at Georgetown University. Anderson worked closely with Dr. Walters' subcommittee, producing a book-sized review of all the relevant scientific issues.

The main issues include whether the transfer of genes accidentally contaminated with viruses could cause disease; whether there's good evidence that the gene actually works when inserted into a living cell; and whether there are adequate or less risky alternative therapies available for patients with a particular disease.

IN BRIEF

Comeback for Wolves Extinct in Wild

WASHINGTON (NYT) — Two pairs of red wolves released from captivity into North Carolina's coastal lowland last fall have produced cubs, officials of the Fish and Wildlife Service report. The agency said this was the first time a species previously extinct in the wild had reproduced after having been reintroduced into its natural habitat.

The birth of the cubs, two of which have been sighted, was greeted with excitement by government biologists and by conservationists. They said that the reproduction boded well not only for the comeback of the endangered red wolf but also for the prospect of saving other creatures that now survive only in zoos and other sheltered preserves.

Top Cyclotron Set to Go on Stream

NEW YORK (NYT) — Officials at Michigan State University have reported that the highest energy cyclotron in the world had been successfully tested and would be ready for use in experiments in September. It will be capable of accelerating atoms as heavy as uranium to energies up to eight billion electron volts, using superconducting magnets.

Cyclotrons of this type differ from high-energy particle accelerators in that they bombard targets with the entire nuclei of relatively heavy atoms, rather than with such particles as protons or electrons. Heavy-ion accelerators are used in attempts to create superheavy elements that do not exist in nature, as well as new isotopes of existing elements.

Birth Control Process Holds Promise

NEW YORK (AP) — An experimental birth control inoculation shows promise for blocking pregnancy for six months without significant side effects, a preliminary study suggests. The inoculation, acting like a vaccine, stimulated the immune systems of women volunteers to disrupt the action of a key hormone needed for pregnancy, researchers said. The procedure could not be tested directly because the women had been surgically sterilized. But the immune system reaction appeared to be strong enough to work, researchers said. The study is described in a recent issue of The Lancet, a British medical journal, by scientists from Australia, the World Health Organization in Geneva and Ohio State University.

NYSE Most Actives				
Vol.	High	Low	Last	Chg.
McDermott	2880	17 1/2	17 1/2	17 1/2
Truist	2072	20 1/2	20 1/2	20 1/2
Health	2072	20 1/2	20 1/2	20 1/2
Health	2072	20 1/2	20 1/2	20 1/2
Health	2072	20 1/2	20 1/2	20 1/2
Health	2072	20 1/2	20 1/2	20 1/2
Health	2072	20 1/2	20 1/2	20 1/2
Health	2072	20 1/2	20 1/2	20 1/2
Health	2072	20 1/2	20 1/2	20 1/2
Health	2072	20 1/2	20 1/2	20 1/2

Market Sales				
NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume
NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume
NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume
NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume
NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume	NYSE 4 p.m. volume

NYSE Index				
High	Low	Close	Chg.	Chg.
NYSE Index	NYSE Index	NYSE Index	NYSE Index	NYSE Index
NYSE Index	NYSE Index	NYSE Index	NYSE Index	NYSE Index
NYSE Index	NYSE Index	NYSE Index	NYSE Index	NYSE Index
NYSE Index	NYSE Index	NYSE Index	NYSE Index	NYSE Index

NYSE Diary				
Class	Prev.	Chg.	Chg.	Chg.
NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary
NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary
NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary
NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary

Dow Jones Averages				
Open	High	Low	Last	Chg.
Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages
Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages
Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages
Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages

AMEX Diary				
Class	Prev.	Chg.	Chg.	Chg.
AMEX Diary	AMEX Diary	AMEX Diary	AMEX Diary	AMEX Diary
AMEX Diary	AMEX Diary	AMEX Diary	AMEX Diary	AMEX Diary
AMEX Diary	AMEX Diary	AMEX Diary	AMEX Diary	AMEX Diary
AMEX Diary	AMEX Diary	AMEX Diary	AMEX Diary	AMEX Diary

NASDAQ Index				
Class	Prev.	Chg.	Chg.	Chg.
NASDAQ Index	NASDAQ Index	NASDAQ Index	NASDAQ Index	NASDAQ Index
NASDAQ Index	NASDAQ Index	NASDAQ Index	NASDAQ Index	NASDAQ Index
NASDAQ Index	NASDAQ Index	NASDAQ Index	NASDAQ Index	NASDAQ Index
NASDAQ Index	NASDAQ Index	NASDAQ Index	NASDAQ Index	NASDAQ Index

AMEX Most Actives				
Vol.	High	Low	Last	Chg.
AMEX Most Actives	AMEX Most Actives	AMEX Most Actives	AMEX Most Actives	AMEX Most Actives
AMEX Most Actives	AMEX Most Actives	AMEX Most Actives	AMEX Most Actives	AMEX Most Actives
AMEX Most Actives	AMEX Most Actives	AMEX Most Actives	AMEX Most Actives	AMEX Most Actives
AMEX Most Actives	AMEX Most Actives	AMEX Most Actives	AMEX Most Actives	AMEX Most Actives

Dow Jones Bond Averages				
Class	Prev.	Chg.	Chg.	Chg.
Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages
Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages
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Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages	Dow Jones Bond Averages

NYSE Diary				
Class	Prev.	Chg.	Chg.	Chg.
NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary
NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary
NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary
NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary	NYSE Diary

Odd-Lot Trading in N.Y.				
Buy	Sell	Chg.	Chg.	Chg.
Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.
Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.
Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.
Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.	Odd-Lot Trading in N.Y.

Dow Jones Averages				
Open	High	Low	Last	Chg.
Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages
Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages
Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages
Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages	Dow Jones Averages

Standard & Poor's Index				
High	Low	Close	Chg.	Chg.
Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index
Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index
Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index
Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index	Standard & Poor's Index

NASDAQ Diary				
Class	Prev.	Chg.	Chg.	Chg.
NASDAQ Diary	NASDAQ Diary	NASDAQ Diary	NASDAQ Diary	NASDAQ Diary
NASDAQ Diary	NASDAQ Diary	NASDAQ Diary	NASDAQ Diary	NASDAQ Diary
NASDAQ Diary	NASDAQ Diary	NASDAQ Diary	NASDAQ Diary	NASDAQ Diary
NASDAQ Diary	NASDAQ Diary	NASDAQ Diary	NASDAQ Diary	NASDAQ Diary

AMEX Stock Index				
High	Low	Close	Chg.	Chg.
AMEX Stock Index	AMEX Stock Index	AMEX Stock Index	AMEX Stock Index	AMEX Stock Index
AMEX Stock Index	AMEX Stock Index	AMEX Stock Index	AMEX Stock Index	AMEX Stock Index
AMEX Stock Index	AMEX Stock Index	AMEX Stock Index	AMEX Stock Index	AMEX Stock Index
AMEX Stock Index	AMEX Stock Index	AMEX Stock Index	AMEX Stock Index	AMEX Stock Index

12 Month	High	Low	Stock	Div.	Yld.	PE	Stk.	High	Low	Close	Chg.
12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month
12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month
12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month
12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month	12 Month

Late Gain Sends NYSE Higher

United Press International

NEW YORK — A spurt of buying in the final minutes of the session broke a day-long stalemate Wednesday on the New York Stock Exchange and allowed stock prices to post modest gains in an otherwise quiet session. Trading was moderate.

The Dow Jones industrial average, which rose 25.07 points Tuesday, gained 6.93 to close at 2131.40, establishing a post-collapse closing high.

Advances edged declines by about an 8-7 margin. Volume slowed to 150.26 million shares from 227.15 million traded Tuesday.

"Basically, the market spent the day consolidating and digesting the gains scored over the past week," said Hildegard Zagoraki, a market analyst with Prudential-Bache Securities Inc. "There was also some consolidation in bonds."

She said the market "lunged in very well" after an early bout of profit taking, "and the consolidation was sideways, rather than down."

Broad-market indexes also managed small gains. The New York Stock Exchange index rose 0.15 to 154.67. Standard & Poor's 500-stock index added 0.15 to 274.45. The price of an average share rose three cents.

"The market's behavior has been constructive, with the overall integrity of the recent rally quite good," said Eugene Peroni Jr., chief technical analyst with Janney Montgomery Scott Inc. in Philadelphia.

Mr. Peroni

INTERNATIONAL MANAGER

Interdependent Networks
Favored Over Hierarchies

By SHERRY BUCHANAN

International Herald Tribune

LONDON — Management experts speaking at an international forum last week all agreed on one thing: Multinational companies must change the way they have managed people over the past 100 years to be competitive in world markets. They must move away from structures that stifle innovation and instead build networks and interdependence among people.

Speaking at the Top Management Forum of Management Center Europe in Paris, academics said managers also must stop thinking in terms of centralized vs. decentralized ways of organizing relationships with foreign subsidiaries. Instead, they must adopt flexible modes of organization that differ according to type of business, product and geography.

Today's concept of management, the experts said, goes back to World War I, when most companies were manufacturers and their employees were mostly blue-collar workers. It explains organizations' propensity to manage people in autocratic and hierarchical ways, still proceeding under the assumption that people are disposable.

Peter F. Drucker, professor of social science and management at the Claremont Graduate School in California, said, "Now we are managing people paid for their knowledge. We have never done that, and we don't know how to do it. These people have mobility, whereas manual workers have been tied to their job by fear, lack of skills and ignorance. Young people today have horizons; they can move."

Traditional hierarchical structures, which are cumbersome and rigid, can keep multinationals from innovating at a fast enough pace to remain competitive, the academics said. Instead, multinationals have to use more informal networks and channels.

Paul Evans, who is a professor of organizational behavior at the European Institute of Business Administration in Fontainebleau, France, said, "We are moving toward organizations as networks, where things get done through contacts and personal relationships."

Philippe N. V., the Dutch multinational, transfers managers systematically from country to country and rotates a group of senior managers (who used to be known within Philips as the "Dutch Mafia") around the world for wide dissemination of critical knowledge and skills.

M. R. EVANS cited International Business Machines Corp.'s management by contention as an example of how networks rather than hierarchical relationships can make things happen. Managers of IBM operating units have to circulate their plans to all other units that will be affected by them. A manager from any unit who sees a problem with a proposal picks up the phone and tries to work it out.

"How well they will work it out, depends on how well they know each other," Mr. Evans added. "IBM has been good at building these relationships."

Christopher A. Bartlett, associate professor at Harvard Business School, found that nine American, Japanese and European multinationals studied are moving away from the traditional models of centralized vs. decentralized management of their foreign subsidiaries. Reality is too complex, the academics argued, for multinationals to organize the relationships with all their subsidiaries in a uniform way.

For example, Unilever, the Anglo-Dutch consumer products company, the academics pointed out that the detergent business must be managed more centrally than packaged foods. But the detergent unit needs less centralization and more responsiveness to local market conditions than the chemicals business.

Traditional structures can keep companies from innovating quickly enough.

EC Backs Widening Insurance

Plan Paves Way For Cheap Rates

Reuters

STRASBOURG, France — The European Parliament on Wednesday approved a policy that would open up the heavily protected European Community business insurance market to cross-border competition and allow companies to shop around EC countries for the cheapest rates.

Until now, many businesses have been forced to take out insurance at home, and companies wanting to sell insurance in other EC countries have been faced by mazes of domestic restrictions.

Under the new EC policy, seen as a flagship of the community's plans to set up a single market free of trade barriers by 1992, companies employing at least 500 people will be free to take out their insurance in any EC country.

The plans to open up the market are expected to have a big impact on the insurance industry, with competition intensifying as companies start selling insurance across the EC.

"We are dealing with an area which has been highly protected until now," said Peter Price, a British Conservative Party member of the Parliament. "We have really opened the door."

The new policy is to go into effect in 1990, although four countries — Spain, Portugal, Ireland and Greece — will be allowed to delay opening up their markets because of the undeveloped nature of their own insurance sectors.

The proposal has been restricted to nonlife insurance taken out by commercial companies. But plans eventually to open up the market for the individual are also in the pipeline.

EC ministers have already given their initial approval to the plans to open the market for commercial risk and are expected to give final approval later this month.

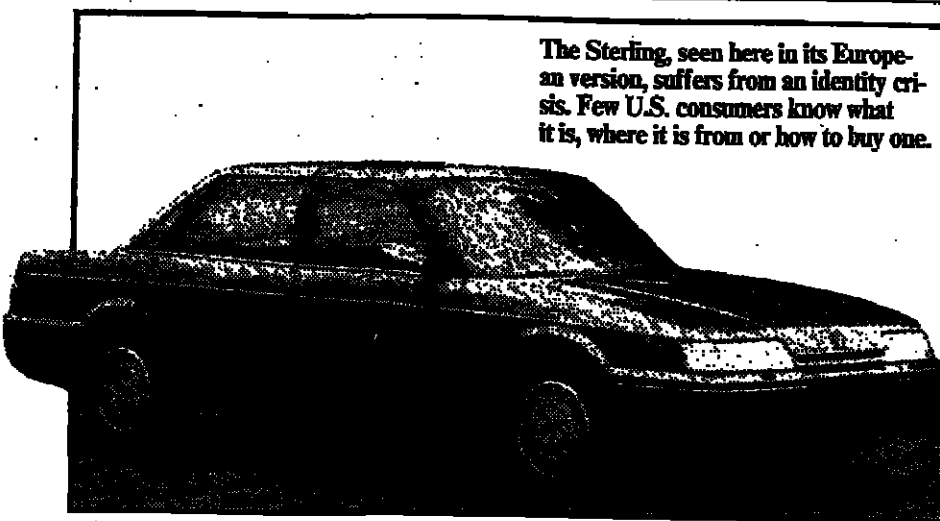
On Monday, EC ministers agreed to allow free circulation of capital throughout the community.

Under the directive, to be implemented in 1990, EC countries beginning in 1990, EC nationals will be able to open bank accounts or borrow money anywhere in the community.

The rule will be applied in the four "poorer" European countries later: in Spain and Ireland in 1992 and in Greece and Portugal in 1995.

The freeing of capital movements will pose new problems for monetary management if EC currencies come under any external pressures.

Ministers recognized the need to step up cooperation further within the European Monetary System, a system of linked exchange rates in which eight EC countries participate.



The Sterling, seen here in its European version, suffers from an identity crisis. Few U.S. consumers know what it is, where it is from or how to buy one.

Sterling, the Auto, Fails to Shine

Sales of British-Japanese Luxury Car in U.S. Are Slow

By James Risen

Los Angeles Times Service

DETROIT — It was to have been a perfect combination: Japanese engineering and British elegance.

Leather from English craftsmen, a precision engine from Japanese technicians. They put a royal-sounding nameplate, Sterling, on the body of an Acura Legend, one of the fastest-selling Japanese cars in the United States.

At \$21,740, far below the sticker price of most European luxury cars, how could the American public resist?

It has found a way. The Sterling, a luxury car developed by a British joint venture between Rover Group PLC and Honda Motor Co. of Japan is fast turning into one of the biggest losers in the worsening U.S. sales slump plaguing upscale European imports.

Indeed, while the Acura Legend, virtually an identical car, has quickly gained the Japanese a new foothold in the American luxury car market, the Sterling has found it hard to get off the ground.

Simply put, Sterling has a serious identity crisis. Few car buyers know what it is, where it comes from or even where to get one.

"It's kind of like an auto snipe hunt," said James Jenkins, a salesman at Sterling of Corvairs in Corvair, California. "One guy came in and said he'd seen a Buick Sterling, and wanted to look at it. A woman said she was sure she had seen one in Korea, a real small one. They think they've seen them, but they really don't know what they are."

Launched in February 1987 with a sales target of 90,000 units annually in the United States within five years, Sterling will be lucky to sell much more than one-tenth of that number this year.

In April, Sterling's U.S. sales embarrassingly plunged to just 546 units, roughly one-third the volume posted a year earlier. May sales of 632 were not much better.

By contrast, the Acura Legend, with a similar sticker price, reported monthly sales of about 6,160 units, roughly twice what Sterling has sold all year.

Now, Sterling is backing away from its earlier heady sales predictions. "I would see that 90,000 prediction as really just a forecast made in the heat of the moment a couple of years ago," said Chris Woodward, the new president of Austin Rover Cars of North America, Sterling's U.S. distributor.

Sterling's failure to excite American buyers shows how difficult it has become to successfully launch an entirely new brand of cars in the fiercely competitive auto market.

While Honda has been able to use its vast marketing and distribution resources to promote sales of the Legend, Sterling has been something of an orphan, with little marketing support.

"The Acura Legend has a bigger name and a lot more money behind it," conceded Michael Geylin, a Sterling spokesman. "The Honda name behind it has made a big difference."

But industry analysts also blamed Austin Rover and Sterling's original American distributor, Nor-

See STERLING, Page 17

Swiss Brokers Have Discovered a Happy Option in Soffex

By Ferdinand Protzman

International Herald Tribune

ZURICH — The Swiss Options and Financial Futures Exchange can't be found on a map. The exchange, which opened May 19, has no building, no trading floor, no paper-strewn pits full of hawking brokers. It is a computer system, a system the Swiss believe may be the future of futures trading.

When the Soffex, as the world's first fully automated options and futures exchange is called, started trading, officials were guarded in their predictions. No one was quite sure how the screen-based trading of options on 11 Swiss stocks by some 52 banks and financial institutions would be received by the nation's conservative financial establishment and investors.

While electronic trading systems are nothing new, the Soffex's completely electronic systems for both trading and clearing the trades, as well as the lack of an exchange building, is unique. All business is done on computer terminals in exchange members' offices across Switzerland.

That is in marked contrast to the roars of brokers on the Zurich Stock Exchange, where the continuous trading of major shares during the day was introduced only 18

months ago and where paper still plays a major role.

Jörg Fischer, the deputy chairman of Soffex, a private company set up by the five largest Swiss banks and the Zurich, Geneva and Basel bourses, typified the caution that prevailed when trading began. "We do not expect any miracles," he said. "This is a completely new system and naturally there will be start-up problems, but in the medium-term it should significantly boost interest in Swiss stocks."

But the start-up difficulties that have plagued the Marché à Terme des Instruments Financiers, or MATIF, in Paris and the Stockholm options market never materialized, said Albert Merz, who is responsible for Soffex trading at Bank Julius Baer in Zurich.

"There really haven't been any," Mr. Merz said. "The system went down once in the first three days, but it was brought back up quickly and has done ever since. And turnover has far exceeded our expectations, running at about 14,000 contracts a day on average."

On Wednesday, turnover set a daily record as 16,731 contracts changed hands, according to officials. More than 90 percent of those contracts were for call options, with options on bank shares the most-traded.

Options give the holder the right to buy or sell a stock at a specified price at a fixed date. Options to buy are referred to as call options, while options to sell are known as put options. Investors use options to protect themselves from price fluctuations, a practice termed "hedging." A perfect hedge eliminates the possibility of a future loss, although it precludes gains.

A Soffex official, who declined to be identified, said the preponderance of call options stemmed from the newness of options trading in Switzerland.

"It is a matter of investors educating themselves about option-trading strategies," he said. "People are still developing strategies. As they become more familiar with options and the system, we will see more put-option trading develop."

An option's price is tied to the share price, which explains why options on bank shares are so popular, he added. "The share price of some Swiss banks is around 300 Swiss francs, while shares of Hoffman-La Roche, a major chemical company, trade for over 9,000 Swiss francs, and the difference in their option prices is in similar proportion. An option on a bank share is much cheaper."

The link between options and shares has also breathed new life into the stock market, bankers said.

"No one can explain whether options reinvigorated stocks or vice-versa," said Herbert Fritsch, chief economist at Zurich Cantonal Bank. "But the stock market has been much livelier since shortly after the Soffex began operating. It gave us a complete market for the first time."

"People can hedge their stock risks with options, and options buyers are also active in the share market. It may also have worked to the Soffex's advantage that it was introduced during a relatively dull period on the stock market. It drew more interest."

The fact that about 25 Swiss banks act as market-makers on the Soffex has contributed to its initial success, too, said Mr. Merz. "About two-thirds of the trading is by the market-makers, at the moment, with the remaining third from customers," he said. "As the exchange continues to develop, that will shift toward more customer trade."

Mr. Fritsch said that international institutional investors were among the primary customers the Soffex intended to draw, and gave impetus to its creation.

"We needed options to make Swiss stocks more attractive for large institutional investors," he said. "They want to be able to hedge their exposure, as they do in London or New

See SOFFEX, Page 15

Currency Rates

Currency	Rate	Currency	Rate	Currency	Rate
British pound	1.5625	Swiss franc	1.4875	Japanese yen	163.75
French franc	6.5500	West German mark	1.3663	U.S. dollar	1.0000
Italian lira	2.3636	Spanish peseta	166.64	Belgian franc	36.3636
Dutch guilder	2.2037	Portuguese escudo	200.48	Australian dollar	1.5400
Scandinavian currencies	—	—	—	—	—

Source: Reuters. Rates are for 100 units of foreign currency against 1 U.S. dollar. All rates are subject to change without notice.

Currency	Rate	Currency	Rate	Currency	Rate
British pound	1.5625	Swiss franc	1.4875	Japanese yen	163.75
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Italian lira	2.3636	Spanish peseta	166.64	Belgian franc	36.3636
Dutch guilder	2.2037	Portuguese escudo	200.48	Australian dollar	1.5400
Scandinavian currencies	—	—	—	—	—

Source: Reuters. Rates are for 100 units of foreign currency against 1 U.S. dollar. All rates are subject to change without notice.

Interest Rates

Currency	Rate	Currency	Rate	Currency	Rate
British pound	1.5625	Swiss franc	1.4875	Japanese yen	163.75
French franc	6.5500	West German mark	1.3663	U.S. dollar	1.0000
Italian lira	2.3636	Spanish peseta	166.64	Belgian franc	36.3636
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Dutch guilder	2.2037	Portuguese escudo	200.48	Australian dollar	1.5400
Scandinavian currencies	—	—	—	—	—

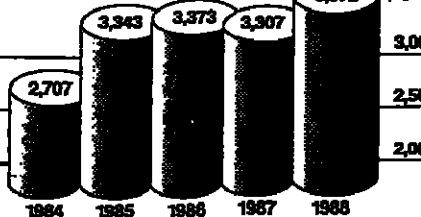
Source: Reuters. Rates are for 100 units of foreign currency against 1 U.S. dollar. All rates are subject to change without notice.

Gold

Currency	Rate	Currency	Rate	Currency	Rate
British pound	1.5625	Swiss franc	1.4875	Japanese yen	163.75
French franc	6.5500	West German mark	1.3663	U.S. dollar	1.0000
Italian lira	2.3636	Spanish peseta	166.64	Belgian franc	36.3636
Dutch guilder	2.2037	Portuguese escudo	200.48	Australian dollar	1.5400
Scandinavian currencies	—	—	—	—	—

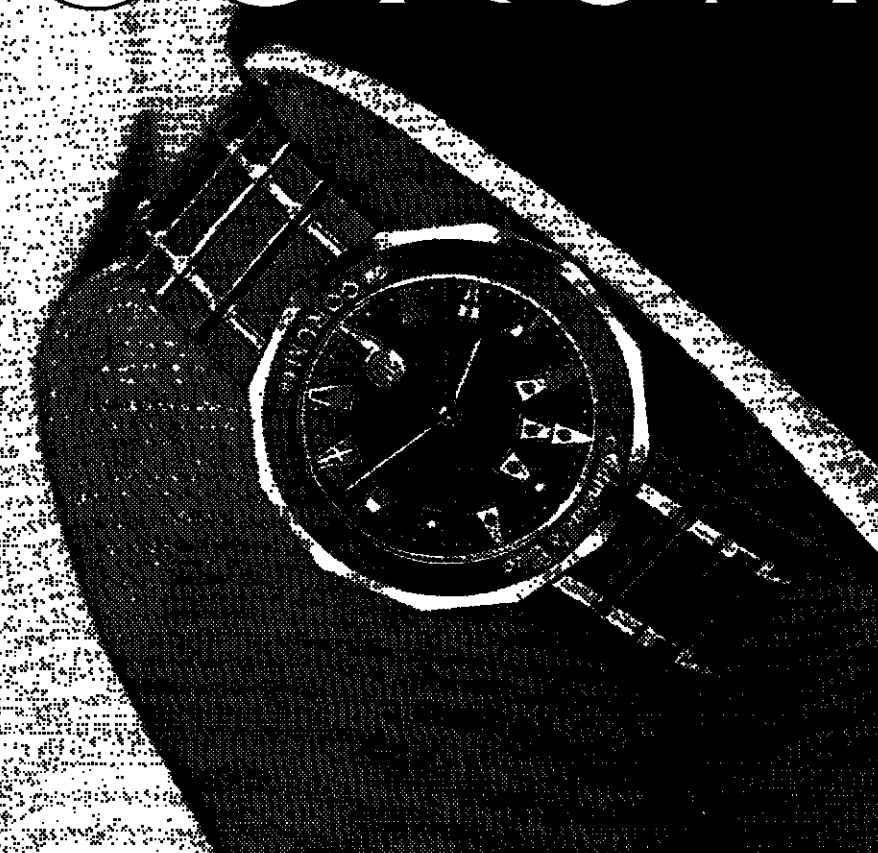
Source: Reuters. Rates are for 100 units of foreign currency against 1 U.S. dollar. All rates are subject to change without notice.

CONSOLIDATED ANNUAL REPORT

Statement of Income	(for the period April 1, 1987 to March 31, 1988) in Millions of Yen	Consolidated Net Sales (Year ended March 31)					
	Net sales.....	3,572,435					
	Cost of sales.....	2,572,914					
	Income before taxes and minority interest.....	125,474					
	Income taxes.....	65,016					
	Net income.....	60,711					
	Earnings per share.....	20.37 (in Yen)					
Balance Sheet		(March 31, 1988) in Millions of Yen					
Assets		Liabilities and Shareholders' Equity					
Cash and time deposits.....	455,088	Bank loans and current portion of long-term debt.....580,511					
Notes and accounts receivable, trade.....	721,064	Notes and accounts payable, trade.....630,373					
Inventories.....	505,853	Other current liabilities.....625,235					
Other current assets.....	431,861	Long-term liabilities.....778,784					
Property, plant and equipment.....	737,920	Minority interest.....126,292					
Other assets.....	607,347	Shareholders' equity.....717,938					
Total assets.....	3,458,133	Total liabilities and shareholders' equity..... 3,458,133					

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BUSINESS ROUNDUP

Bank of New York Raises Irving Bid

NEW YORK — Bank of New York Corp. on Wednesday increased its bid for Irving Bank Corp. by \$1 billion, to \$1.4 billion, and added another \$1 billion to its offer, to \$2.4 billion.

The bank's bid for Irving's 18.5 million shares outstanding at about \$1.4 billion, or \$75.33 per share, its existing offer was valued at about \$1 billion, or \$63.25 a share.

Bank of New York said its board of directors will consider the offer at its meeting June 21. The bid was announced during a 40-minute session Wednesday between Irving's chairman, Joseph A. Rice, and Bank of New York's chairman, J. Peter Baco.

Victor to Raise TV Production

TOKYO — Victor Co. of Japan Ltd. will increase its production of color television sets at plants in the United States and Britain to meet demand, it said Wednesday.

Production at the JVC Manufacturing Co. plant in Elmwood Park, New Jersey, will rise from the present 20,000 sets a month to 40,000 in June, with the emphasis shifted to 25-inch (640-millimeter) and 28-inch sets from 19- and 20-inch models. The plant supplies the U.S. Canadian and Latin American markets.

JVC Manufacturing UK Ltd. in Scotland, which now makes 14- and 21-inch sets for sale in Europe, the Middle East and Africa, will begin making 25- and 28-inch sets at the end of the year. Production there, which began in April, is expected to reach 150,000 sets a year by December, 240,000 in 1989 and 400,000 in 1990.

Spanish State Holding Firm Reaps First Profit Since 1975

MADRID — Instituto Nacional de Industria, Spain's state-owned holding company, expects to make a profit this year for the first time since 1975, a company spokesman said Wednesday.

The estimate of the size of the profit was available, the spokesman said.

He said that government policies promoting loss-making sectors such as steel and shipbuilding and as carefully managed borrowing have contributed to the recovery.

INI raised about 80 billion pesetas (800 million), partly in a public offering of about 40 percent of its shares, in February, and partly by starting in May to sell about 20 percent of its power plant, Empresa Nacional de Electricidad SA, with investors.

INI owns 62 companies, including

merciale Italiana SpA, Italy's second-largest bank. Because the bid of Irving had approved BCI's offer, the poison pill would not have impeded that bid.

BCI is offering \$80 a share for 9.5 million, or about 51 percent, of Irving's shares. In addition, it said last month, it would pay shareholders interest on the purchase price from May 31 until the deal was closed. That offer, valued at \$760 million, has been extended until June 27.

Wall Street reacted positively to the revised offer. Irving stock jumped \$3.875 to \$70.125 per share.

U.S. Jury Rejects Suit Against Audi for 'Surge'

AKRON, Ohio — A federal jury has rejected a \$48 million suit filed by a couple who said their Audi 5000 car surged forward and killed their six-year-old son.

The jury deliberated for three hours Tuesday before finding in favor of Audi AG of West Germany and its parent, Volkswagen AG.

Audi last week offered to settle a class-action lawsuit in Chicago that could affect as many as 300,000 Audi owners nationwide. Under the proposed settlement, the company would pay up to \$2,000 to past and current owners of Audi 5000s who buy a new Audi. The automaker did not admit fault.

Elders Owners Back Buyout Of BHP Stake

MELBOURNE — Shareholders of Elders IXL Ltd. approved a transaction on Wednesday that will keep control of the company in friendly hands and will give Broken Hill Pty. 974 million Australian dollars (\$778 million).

Under the deal, Harlin Pty., which is controlled by the Elders chairman, John Elliott, and others, will effectively hold 32 percent of Elders through shares and options. Harlin, which currently holds 18.5 percent of Elders, will receive new options replacing defunct options that had been attached to 860 million dollars worth of preference shares held by BHP.

The BHP shares are to be redeemed for face value plus regular and special dividends. Harlin previously acquired the options attached to the preference shares.

BHP and Elders negotiated the redemption of the convertible shares as part of BHP's asset sales after its 2.1 billion dollar buyout of the bulk of Bell Resources Ltd.'s 30 percent BHP stake.

Drexel Probe Based on 'Lies,' Chairman of Bond Firm Says

By Jacques Neher
Special to the Herald Tribune

PARIS — The chairman of Drexel Burnham Lambert Inc., the U.S. investment banking firm that is under investigation for possible insider trading and securities fraud, denied Wednesday that his company had violated the law although he conceded that it may have committed "technical violations."

In a Paris interview, Robert E. Linton, head of the investment banking firm that is widely credited with creating the market for high-yield "junk" bonds in the United States, also disclosed that Drexel may soon announce the first such issue to be launched in Europe.

Mr. Linton, noting that Drexel would "welcome" the opportunity to defend itself in court, said that two separate investigations into the firm's activities were predicated on the "lies" of Ivan F. Boesky, the convicted arbitrator.

"It's Mr. Boesky's word against ours, and he's a proven liar," Mr. Linton told journalists at a breakfast meeting.

In November 1986, Mr. Boesky paid the SEC a record \$100 million fine to settle civil charges that he had traded stocks on the basis of illegal insider information provided by Dennis Levine, a Drexel investment banker.

Mr. Linton said the SEC probe centers on 18 charges, all but three of which stem from information supplied by Mr. Boesky. He said Mr. Boesky told the SEC that Drexel improperly "parked" securities with clients, encouraging them to buy or sell stocks prior to an unannounced takeover or merger in which Drexel was involved.

"Anyone who knows our clients would find that claim ridiculous," he said. Other charges, he said, may have been true, but only on "technicalities."

Mr. Linton also said that Drexel is trying to introduce high-yield bond financing to Europe, though he predicted it would be a slow process.

The company's French subsidiary is working on the first such transaction in France, involving the issuance of the bonds by a French company to finance the \$350 million purchase of an American company, he said.

Drexel officials, who have been noncommittal in their meetings with the press since the Securities and Exchange Commission began its probes into company dealings, have opened up to journalists in recent months.



Robert E. Linton

H.K. Telecommunications Profit Seen Exceeding Forecast

HONG KONG — Hong Kong Telecommunications Ltd., in its first annual financial report, is expected to list on Friday a higher profit than its projected earnings of 2.89 billion Hong Kong dollars (\$370.30 million) for the year ending March 31, analysts said.

Most of the analysts put H.K. Telecom's net earnings for the year at 2.93 billion to 2.99 billion Hong Kong dollars. But Hui Hosenally of Scrimgeour Vickers said that the company might show a 20 percent rise above the projected profit, to about 3.5 billion dollars.

The analysts agreed that H.K. Telecom would stick to its projected total dividend payment of 12 cents a share for the year.

H.K. Telecom was formed in January by the merger of Hong Kong Telephone Co. and Cable and Wireless (Hong Kong) Ltd., giving it the biggest capitalization on the Hong Kong market, about 67.45 billion dollars.

Cable and Wireless PLC, a British telecommunications concern, owns 80 percent of the company. The Hong Kong government is the second biggest shareholder, controlling 11 percent.

Mr. Hosenally predicted a good year for H.K. Telecom, with equal contributions from Hong Kong Telephone and from Cable and Wireless.

"A mix of steady earnings growth from local network and better earnings growth from the

unregulated business is expected from Hong Kong Telephone," he said.

Mr. Hosenally added there had been significant expansion by Cable and Wireless (Hong Kong) of its international telephone services.

Andrew Hall of the Swiss Bank Corp. stock brokerage unit, SBCI Hong Kong, said, "Both parts of the group had a comfortable financial position at the time of their merger."

Alice Hui of Country NatWest said, "The key to profit growth will have been the high contribution from Hong Kong Telephone."

"This will mainly be a result of the huge premium realized this year on the issue of ordinary shares due to the scrip dividend option," she added. H.K. Telecom's share premium account rose to 396.9 million dollars from 161.8 million in 1987.

The amount of profit Hong Kong Telephone can derive from the operation of basic telephone services is limited to a maximum of 16 percent of its shareholders' funds.

Ms. Hui noted that because of a large rise in such funds, the restricted return would rise 32 percent to 767.7 million dollars for the latest fiscal year. However, from the current year, the share premium account will be frozen because the company has become private.

Apart from the economic fundamentals, some analysts said that H.K. Telecom might try to show its best figures before a share offering that is scheduled by autumn.

Cable and Wireless and the Hong Kong government announced last month that each would place 5 percent of H.K. Telecom here and in the international markets by fall.

Local securities laws require that major shareholders of a company make available to the public a stake of at least 25 percent.

Last month, Cable and Wireless (Hong Kong) sold 10 million H.K. Telecom shares, worth about \$5 million (\$8.93 million at current rates), to China's Guangdong Posts and Telecommunications Bureau for an undisclosed sum.

Mr. Hall said that H.K. Telecom would show cash on hand in excess of 1 billion dollars, and that neither company would have significant debts.

Mr. Hall noted H.K. Telecom has committed itself to large projects, including the development of optical fiber cables and digital technology, expansion of international telephone capacity and the Hong Kong-Japan-South Korea optical fiber communication system.

He said although the group had indicated it would spend about 30 billion dollars on the new projects between now and the year 2000, its financial position would show little change in the next six months.

Asked about future growth, most of the analysts said that H.K. Telecom would encounter smaller growth in profits and a lower yield.



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Learned from first finance page

For institutional investors in the U.S. and U.K. are already quite familiar with options trading and are critical of the fact that there is no opportunity for it here.

By getting the system physically set up to go may have been the real challenge, officials said. Trading was to begin in January.

The Suffolk computer displays bid and offer prices, matches orders electronically, allows anonymous negotiation of block orders and maintains members' order books. Executing and clearing a trade takes a matter of seconds.

"Keep in mind that this was an entirely new, unique system," the officials said. "We looked at all the alternatives for options trading and decided to go this route."

The software was developed for use on the hardware was tailored to suit needs. Arthur Anderson AG handled the software, and we used Digital Equipment Corp. VAX computers and Digital terminals.

Weekly net asset value
Tokyo Pacific Holdings N.V.
on 13-4-1988 U.S. \$240.72
Securities 72%
Liquidity 28%
Listed on the Amsterdam Stock Exchange

Weekly net asset value
Energy Resources Growth Fund
on 10-6-1988 U.S. \$26.57
Listed on the Amsterdam Stock Exchange

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TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES Extraordinary General Meeting

At the Extraordinary General Meeting held on June 10, 1988, the shareholders of TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES approved a resolution which, by modifying article 12 of the By-laws of their Company, empowers them to make use of the right given companies under the law of 17 June 1987 to obtain a fuller knowledge of the structure and evolution of their share ownership.

Henceforth, therefore, any individual or legal entity coming directly or indirectly into possession of 2% or more of the capital or any multiple thereof is bound to give the Company notice within fifteen days of exceeding each of these levels, by registered post stating the number of shares and requesting acknowledgement of receipt.

Failure to make this disclosure as explained in the foregoing paragraph shall result in the withholding of voting rights at Shareholders' Meetings, as prescribed by law, in respect of shares exceeding the fraction which should have been disclosed, if at any such Meeting the disclosure default has been noted and if one or more shareholders together holding not less than 5% of the capital so request.

Any individual or legal entity is also bound to notify the Company in the manner and within the time limits set forth in paragraph 4 above when their direct or indirect holding in the capital falls below 2% of the latter or any multiple thereof.

TOTAL GROUP



1987 Annual General Meeting of June 10, 1988

The Annual General Meeting of TOTAL CFP, held on June 10, 1988 with Mr. François-Xavier ORTOLI, in the Chair, approved the accounts for 1987. All the resolutions were adopted.

In his address, the Chairman outlined the development of the company in 1987 and the first part of 1988. As was to be expected in an uncertain economic climate, the information currently available was not sufficient or too contradictory to permit an assessment of how the year as a whole was likely to develop. Nevertheless, the upstream sector should benefit from the start-up of the Alwyn North field and the acquisition of CSX OIL AND GAS.

Concerning the oil market, the Chairman recalled that the previous year had seen, at least in its early stages, a return to stability in crude prices. However, surplus supply in the last quarter, combined with the decline in the dollar, had resulted in a drop in prices. As far as the industry was concerned, this meant negative upstream and downstream margins. The Group's robust financial structure, Mr. ORTOLI added, had nevertheless enabled it to meet these difficulties. In the present climate, the Chairman stated once again, an oil price of the order of \$18/h remained a political probability for future years.

Mr. ORTOLI expressed his conviction that hydrocarbons would continue to play an essential part in meeting world energy requirements for the foreseeable future. He recalled the main strategic guidelines of the Company's overall policy: a broadening of the Group's "upstream" oil and gas base through a selective exploration thrust and a dynamic policy with regard to the acquisition of reserves; the need to consolidate relations with Middle East countries; the advantages for an integrated oil group of having a large downstream sector whose task it was to find its own balance and indeed a new prosperity; continued development of international trading. Lastly, Mr. ORTOLI remarked, all opportunities for diversification which could be profitable should be exploited.

1987 in brief

● **Financial performance:** After the exceptional events of 1986, the year 1987 represented a year of both consolidation and transition characterized by a marked improvement in the Group's financial results. The consolidated net result (Group share) amounted to FF 1.5 billion, compared with a loss of FF 0.5 billion in 1986. This improvement was essentially due to the profits from the sale of assets and the reversal in stockholding movements. Furthermore, diversification activities showed good results, particularly as regards HUTCHINSON and OFF.

● **Activities:**
The year was marked by:
— start-up of the Alwyn North field in the British North Sea, the launch of the Hidra project in Argentina, and lastly, the development of exploration with encouraging results, as in Indonesia, Holland, Angola and Colombia.

— In the refining sector, despite still occasionally negative results, the restructuring and modernization decided on in previous years has begun to bear fruit. Frontiers were redrawn: thus in Italy, the Group sold its refining-marketing subsidiary, which had been showing a loss for some time.

— In the financial sphere, the Group acquired 3% of the capital of PARIBAS. Moreover, the stock market upsurge in the autumn prevented implementation of the second part of the capital increase which had been decided on in principle in 1986.

At the close of the meeting, the Board of Directors met and voted unanimously to renew Mr. ORTOLI's appointment as President.

Significant data 1987	
The Group Resources	
Oil (millions of tonnes)	49.30
Gas (billions of m ³)	5.90
Financial data (consolidated, in billions of Fr. francs)	
Turnover (of which 37% in France)	87.10
Cash flow	6.60
Net income (of which TCFP share: 1.46)	-1.55
Investments	8.70
The parent company	
Turnover (in billions of francs)	33.80
Net income (in billions of francs)	1.40
Dividend per share: FF 20 (+ tax credit of FF 10)	
Date of dividend payment: June 16	

The brochure "TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES 1987" can be obtained in English and French from Service Diffusion, 5 Rue Michel-Ange, 75781 Paris Cedex 16, France.

TOTAL GROUP

STERLING: Joint-Venture Luxury Model Fails to Attract U.S. Buyers

(Continued from first finance page)

Mr. Braman, a Miami car dealer who had no previous wholesaling experience, for failing to understand how much money and effort would be required to gain acceptance in the U.S. market.

"To try to do the marketing on a guessing like they did was a formula for failure," said Martin, an auto industry consultant at Abt & Associates, a Boston-based consulting firm.

"As an organization, Braman's group was ill-equipped to become a distributor," said Maryann Miller, an automotive analyst with investment firm of Furman, Seligman & Partners Inc. "You can't just take the car off the boat and then expect to sell it."

Although Rover executives denied that they were unhappy with Braman, they nevertheless began to shake up Sterling's U.S. operations. The British car maker took over its U.S. distributor in mid-May, buying out Braman, who had held the American distribution rights since Sterling's introduction.

Mr. Braman could not be reached for comment. Mr. Woodward said that Rover bought out Braman only because it wanted to consolidate Sterling operations in its organization.

Yet, almost immediately, Rover removed Sterling's American president, Raymond Ketchledge, a former executive of Volkswagen of

America who had been brought in by Mr. Braman.

Mr. Ketchledge was replaced by Mr. Woodward, a Rover veteran who has moved from Britain to take over at Sterling's Miami headquarters.

Rover has also fired Sterling's second advertising agency in 18 months, Hal Riney & Partners, which just won the huge Saturn Corp. account at General Motors

'It's kind of like an auto snipe hunt. One guy came in and said he'd seen a Buick Sterling. They think they've seen them, but they really don't know what they are.'

A Sterling salesman in California.

and thus had a conflict with its Sterling business.

As a result, Sterling is now without an ad agency at a time when its image is at risk and when Sterling dealers seem increasingly impatient for some kind of marketing push from Rover.

"The car needs more advertising," said Rick Nabers, the general manager of Nabers Cadillac-Sterling in Costa Mesa, California. "They haven't done enough to put the car in the public's mind."

The advertising that has been done for Sterling has seemed muddled and ineffective. After initially stressing the car's hybrid Japanese-

British roots, Sterling ads now have dropped all references to Japan.

Instead, current Sterling ads portray the car as having a purely British lineage. They show it in front of a painting of the English countryside with the tag line: "Sterling. The inevitable British road car."

Consumers have thus been confused. "There certainly is a problem in that the car isn't being presented well enough to be

acceptable," said Thomas O'Grady, an automotive analyst with Integrated Automotive Resources, a market research firm in Wayne, Pennsylvania.

Another problem, analysts said, has been that all of Sterling's 180 dealers are "dual" outlets, selling other car lines out of the same showrooms they use for Sterling.

By contrast, Honda was able to demand that all Acura dealers be exclusive, forcing franchise holders to build new dealerships just for Acura.

As a result, Sterlings are often stuck in the corner of a Cadillac or Buick dealership, ignored by sales-

men and customers alike. Acura, meanwhile, is developing an identity of its own. And so, even though it is sold by only about 60 more dealers than Sterling, Legend has about seven times the sales volume.

Some of Sterling's problems have come because of the car itself. Complaints about quality problems have led some industry analysts to conclude that the British joint venture has not met the same high standards that Honda sets in Japan.

Mr. Woodward said Sterling is working to meet such standards of quality. He noted that, until recently, Legends bound for Europe were built on the same British assembly line as the Sterling. "So, we're obviously very familiar with the Legend's quality," he said. "We're keen to make sure the car is of the highest quality possible."

Still, sophisticated car buyers, who discover that the Sterling is the same as a Legend, appear to be opting for the aura of Japanese-built quality, analysts said.

"They've got a major problem with differentiating themselves from the Legend," said William Pocholik, an analyst with Autodata, a Paoli, Pennsylvania, market research firm. "They've got to try to explain that they are different and better than Acura. That's a very, very difficult marketing problem, given Honda's excellent reputation in the United States, according to Mr. Pocholik."

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Financial Highlights 1987

(DM million)	1986	1987
Total Assets	5,819	5,635
Balances with Banks	1,819	1,711
Advances to Customers	1,467	1,403
Securities	870	870
Liabilities to Banks	4,763	4,701
Capital and Reserves	135	130

A copy of our 1987 Annual Report is available upon request.



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00 GUILLER 1.8565	INTL 33.00	ESCUDO 27.00	YEN 124.30	DINAR 3
5 PESETA 110.68	KRONA 5.8775	NTS 28.64	DIRHAM 3.7630	BOLIVAR 29.5000
6.4750 DOLLAR 1.0000	SCHILLING 11.65	FRANC 5.6080	CRUZADO 97	
ND 5294 PESO 2290.00	KRONE 6.3460	SUCRE 430.00	MARK 1.6540	DRA
9870 RUPIAH 1656.00	SHEKEL 1.5648	LIRA 1227.00	YEN 124.30	DINAR 3
00 GUILLER 1.8565	INTL 33.00	ESCUDO 27.00	YEN 124.30	DINAR 3
5 PESETA 110.68	KRONA 5.8775	NTS 28.64	DIRHAM 3.7630	BOLIVAR 29.5000
6.4750 DOLLAR 1.0000	SCHILLING 11.65	FRANC 5.6080	CRUZADO 97	
ND 5294 PESO 2290.00	KRONE 6.3460	SUCRE 430.00	MARK 1.6540	DRA
9870 RUPIAH 1656.00	SHEKEL 1.5648	LIRA 1227.00	YEN 124.30	DINAR 3
00 GUILLER 1.8565	INTL 33.00	ESCUDO 27.00	YEN 124.30	DINAR 3
5 PESETA 110.68	KRONA 5.8775	NTS 28.64	DIRHAM 3.7630	BOLIVAR 29.5000
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(Continued from Page 8)

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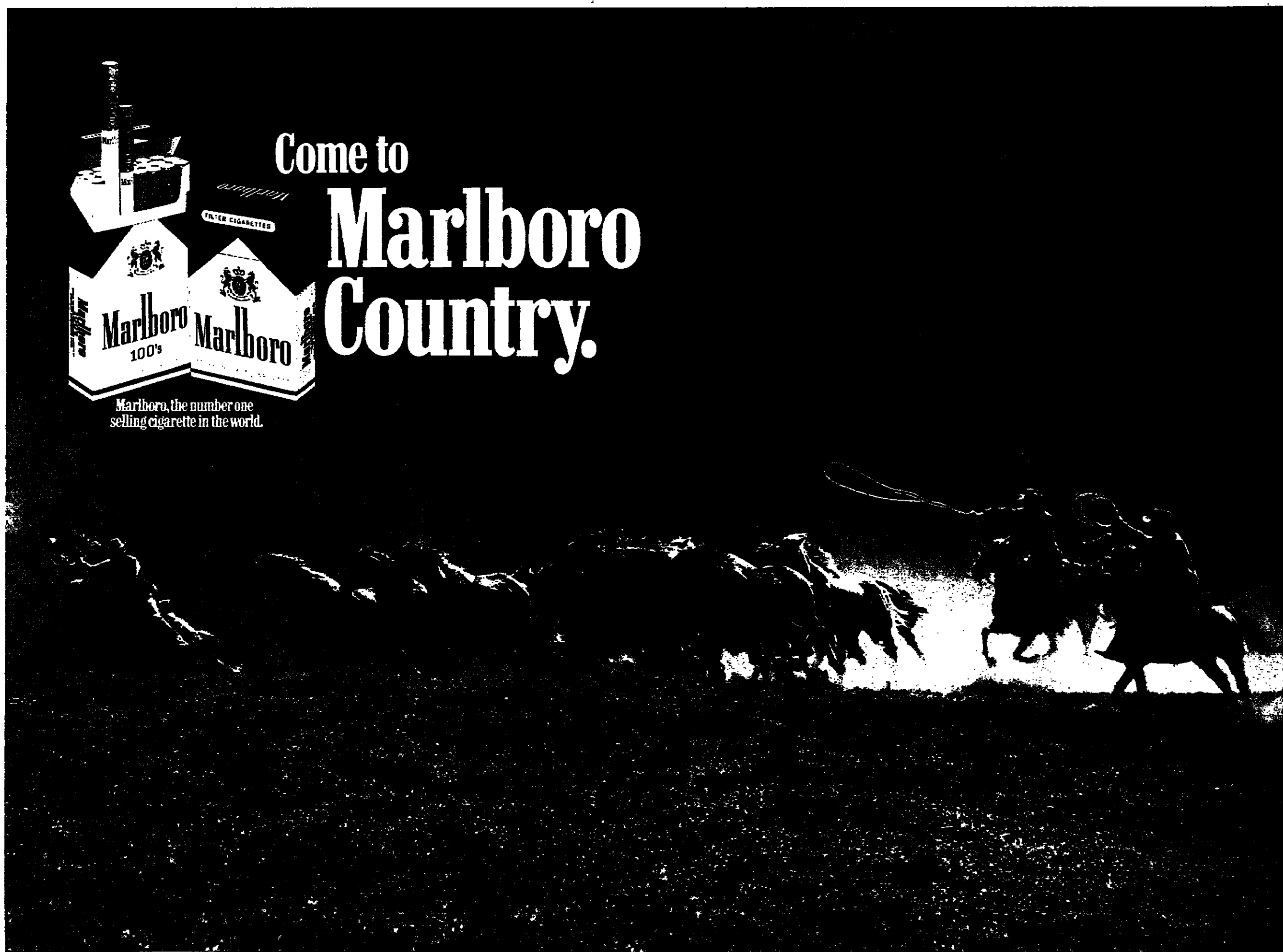
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(Continued on next page)

**Come to
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Marlboro, the number one
selling cigarette in the world.



هكذا من اجل

SPORTS

Dutch Beat English; Soviets and Irish Tie

Compiled by Our Staff From Dispatches

DUSSELDORF — Marco van Basten struck for three goals, nailing the game-winner and the insurance goal four minutes apart, to carry the Netherlands to a 3-1 victory over England in a Group Two European soccer championship match.

Meanwhile, in Hanover, Ireland and the Soviet Union drew, 1-1, in the group's other match.

The draw put England out of contention, while the Soviet Union, Ireland and the Netherlands are still fighting for the two places in the semifinals from Group 2.

Ireland faces a difficult last-round match against the rejuvenated Dutch team on Saturday in Gelsenkirchen, while the Soviet Union plays England in Frankfurt.

Ireland and the Soviet Union share the lead in the group, with three points from two matches.

The Netherlands, a 3-1 winner over England earlier Wednesday in Dusseldorf, has to beat Ireland to reach the last four.

The Soviets need a draw against England to be sure to qualify.

Ireland unsettled the Soviets with aggressive, fast-moving play and early checking. The Irish won most of the duels and the Soviets were overmatched in the air.

After coming close several times, Ireland finally went ahead in the 38th minute with a memorable goal. Mick McCarthy sent a long throw-in into the Soviet area. Ronnie Whelan rose into the air and struck home a left-foot volley that slammed into the upper left corner of the Soviet goal.

Veteran Soviet goalkeeper Rinat Dasayev, already slow to react, had no chance.

The equalizer came when the Irish began to run out of steam.

After imposing a punishing pace, Igor Belanov picked up a long pass on the left, looped the ball over Kevin Moran and Oleg Protasov raced in for a simple finish.

Midfielder van Basten scored in the 44th, 72d and 76th minutes, with England's captain, Bryan Robson tallying in the 54th.

Van Basten, a replacement for John Bosman, spoiled goalie Peter Shilton's 100th game as an England international. He scored just before halftime after taking a pass from Rudi Gullit, pivoting around a defender and breaking loose for a shot wide of Shilton. He could have made it 2-0 a minute later, but Gary Stevens cleared his second effort off the goal line.

England hit the wood twice in the first half. Gary Lineker in the fourth minute, when Ronald Koeman's hasty back-pass found goalie Huns van Breukelen out of position.

But Lineker's acutely angled shot bounced back off a post and into van Breukelen's arms. Glenn Hoddie, recalled in place of Neil Webb, struck a 380-minute drive that hit a post and spun across van Breukelen's goalmouth.

England moved back into contention nine minutes into the second half. Robson took the ball from Peter Beardsley, and in an exchange with Lineker, darted between two defenders to take the give-and-go return pass, and beat van Breukelen.

Van Basten, having failed on two more scoring opportunities, put the Netherlands up by 2-1 with an unstoppable diagonal shot from just inside the penalty area. Gullit put the ball through the defense to his left, AC Milan teammate, who was played outside by a defender too hastily for the Englishman to get back to cover, despite English ap-

peals to Italian referee Paolo Casarin, the goal stood.

Said van Basten, who had considered retirement six months ago after left-ankle surgery and painful rehabilitation: "I didn't even know I was playing until this morning."

Leaving the field to sustained applause three minutes before the end of the match, van Basten, 23, completed his last trick from a corner. (UPI, AP)

East German Soldier Defects

Reuter

HANNOVER, West Germany — An East German soldier shot a sergeant in the foot and defected to West Germany by swimming across the Elbe to Lower Saxony state, border police said on Wednesday.

Rijo of Reds Wins His Eighth in a Row

Compiled by Our Staff From Dispatches

CINCINNATI — Jose Rijo, with the National League's longest winning streak, is making Cincinnati fans forget about Dave Parker. Rijo came to the Reds last Decem-

ber in a deal that sent Parker to Oakland. The 23-year-old right-hander has racked up eight straight victories, including Tuesday night's 7-1 decision over Houston.

The Astros managed only two hits against Rijo, who moved into the starting rotation last week when Dennis Rasmussen was traded to San Diego. He struck out seven and walked one over eight innings.

After finishing 2-7 with a 5.90 earned-run average for the Athletics last season, Rijo and spent much of the winter working with his father-in-law, Juan Marichal, a six-time 20-game winner and member of the Hall of Fame. "He told me about concentration," said Rijo. "That's about the only thing I needed."

Padres 8, Giants 5: In San Diego, Marvell Wynne's three-run homer climaxed a seven-run sixth that extended the Padres' winning streak to six games.

Pirates 6, Cubs 3: In Chicago, four home runs, including Bobby Bonilla's career-high 15th of the year, carried Pittsburgh.

Mets 5, Cardinals 0: In New York, Len Dykstra tripled, doubled and singled as the Mets beat St. Louis for the eighth time in 11 games this year.

Expos 9, Phillies 0: Phillies 4, Expos 2: In Philadelphia, Juan Samuel homered and tripled to help the Phillies split a doubleheader.

Dennis Martinez pitched a three-hitter and singled in two runs for Montreal in the opener, in which second baseman Samuel started five double plays to set a league record and tie the major-league mark set by Gerry Priddy of Detroit on May 20, 1950.

Dodgers 5, Braves 4: In Atlanta, Fernando Valenzuela ran his lifetime record against the Braves to 14-3 as Los Angeles snapped a three-game skid.

Tigers 9, Orioles 3: In the American League, in Detroit, Tom Brookens went 4-for-4, including his second career grand slam-home run and a two-run single.

Brewers 5, Mariners 1: In Milwaukee, backed by Rob Deer's three-run homer, Tom Filer ran his seven-year winning streak to 12 games. Filer, 4-0 this season and 11-0 in his American League career, has not lost since June 1967, when he was with the Chicago Cubs.

Red Sox 7, Yankees 3: In Boston, Ellis Burks had three hits, including a tie-breaking double in the sixth as the Red Sox ended New York's winning streak at three.

Blue Jays 3, Indians 2: In Toronto, George Bell tied the game in the eighth by doubling in Lloyd Moseby and scored the deciding run on a sacrifice fly by Ernie Whitt, who had hit a home run earlier.

Royals 2, Athletics 1: In Oakland, California, three relievers in the ninth preserved the victory for Bret Saberhagen, who went eight-plus innings without allowing an earned run.

Twins 3, White Sox 1: In Minneapolis, Dan Gladden homered leading off a game for the fourth time this year, and Minnesota went on to its 17th victory in its last 23 games.

Angels 3, Rangers 0: In Anaheim, California, Mike Witt walked four and struck out six in beating Texas for the second time in a week and recording his first back-to-back victories since last Aug. 13 and 17. (AP, UPI)



Marco van Basten, despite pressure from England's Gary Stevens, right, nailing the first of his three goals.

SCOREBOARD

BASEBALL

Tuesday's Major League Line Scores

AMERICAN LEAGUE

Cleveland 600 100-2 7 0
Tampa Bay 600 100-2 7 0
Detroit 600 100-2 7 0
Boston 600 100-2 7 0
New York Yankees 600 100-2 7 0
Chicago White Sox 600 100-2 7 0
Kansas City Royals 600 100-2 7 0
Milwaukee Brewers 600 100-2 7 0
Minnesota Twins 600 100-2 7 0
Oakland Athletics 600 100-2 7 0
Seattle Mariners 600 100-2 7 0
Texas Rangers 600 100-2 7 0
California Angels 600 100-2 7 0
Pittsburgh Pirates 600 100-2 7 0
Cincinnati Reds 600 100-2 7 0
St. Louis Cardinals 600 100-2 7 0
Philadelphia Phillies 600 100-2 7 0
Montreal Expos 600 100-2 7 0
San Diego Padres 600 100-2 7 0
Atlanta Braves 600 100-2 7 0
Houston Astros 600 100-2 7 0
Los Angeles Dodgers 600 100-2 7 0
San Francisco Giants 600 100-2 7 0
New York Mets 600 100-2 7 0
Pittsburgh Pirates 600 100-2 7 0
Cincinnati Reds 600 100-2 7 0
St. Louis Cardinals 600 100-2 7 0
Philadelphia Phillies 600 100-2 7 0
Montreal Expos 600 100-2 7 0
San Diego Padres 600 100-2 7 0
Atlanta Braves 600 100-2 7 0
Houston Astros 600 100-2 7 0
Los Angeles Dodgers 600 100-2 7 0
San Francisco Giants 600 100-2 7 0
New York Mets 600 100-2 7 0

NATIONAL LEAGUE

Pittsburgh Pirates 600 100-2 7 0
Cincinnati Reds 600 100-2 7 0
St. Louis Cardinals 600 100-2 7 0
Philadelphia Phillies 600 100-2 7 0
Montreal Expos 600 100-2 7 0
San Diego Padres 600 100-2 7 0
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Atlanta Braves 600 100-2 7 0
Houston Astros 600 100-2 7 0
Los Angeles Dodgers 600 100-2 7 0
San Francisco Giants 600 100-2 7 0
New York Mets 600 100-2 7 0

Major League Standings

AMERICAN LEAGUE

New York Yankees 100 100-2 7 0
Detroit Tigers 100 100-2 7 0
Boston Red Sox 100 100-2 7 0
Cleveland Indians 100 100-2 7 0
Chicago White Sox 100 100-2 7 0
Kansas City Royals 100 100-2 7 0
Milwaukee Brewers 100 100-2 7 0
Minnesota Twins 100 100-2 7 0
Oakland Athletics 100 100-2 7 0
Seattle Mariners 100 100-2 7 0
Texas Rangers 100 100-2 7 0
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Houston Astros 100 100-2 7 0
Los Angeles Dodgers 100 100-2 7 0
San Francisco Giants 100 100-2 7 0
New York Mets 100 100-2 7 0

NATIONAL LEAGUE

Pittsburgh Pirates 100 100-2 7 0
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Philadelphia Phillies 100 100-2 7 0
Montreal Expos 100 100-2 7 0
San Diego Padres 100 100-2 7 0
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Philadelphia Phillies 100 100-2 7 0
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Atlanta Braves 100 100-2 7 0
Houston Astros 100 100-2 7 0
Los Angeles Dodgers 100 100-2 7 0
San Francisco Giants 100 100-2 7 0
New York Mets 100 100-2 7 0

BASKETBALL

NBA Playoff Finals

Los Angeles Lakers 100 100-2 7 0
Detroit Pistons 100 100-2 7 0
New York Knicks 100 100-2 7 0
Boston Celtics 100 100-2 7 0
Philadelphia 76ers 100 100-2 7 0
Milwaukee Bucks 100 100-2 7 0
Chicago Bulls 100 100-2 7 0
San Antonio Spurs 100 100-2 7 0
Dallas Mavericks 100 100-2 7 0
Houston Rockets 100 100-2 7 0
Portland Trail Blazers 100 100-2 7 0
Golden State Warriors 100 100-2 7 0
Phoenix Suns 100 100-2 7 0
Utah Jazz 100 100-2 7 0
Los Angeles Lakers 100 100-2 7 0
Detroit Pistons 100 100-2 7 0
New York Knicks 100 100-2 7 0
Boston Celtics 100 100-2 7 0
Philadelphia 76ers 100 100-2 7 0
Milwaukee Bucks 100 100-2 7 0
Chicago Bulls 100 100-2 7 0
San Antonio Spurs 100 100-2 7 0
Dallas Mavericks 100 100-2 7 0
Houston Rockets 100 100-2 7 0
Portland Trail Blazers 100 100-2 7 0
Golden State Warriors 100 100-2 7 0
Phoenix Suns 100 100-2 7 0
Utah Jazz 100 100-2 7 0

GOLF

PGA Leaders

1. Sandy Lyle 100 100-2 7 0
2. Chip Beck 100 100-2 7 0
3. Larry Wadkins 100 100-2 7 0
4. Ben Crenshaw 100 100-2 7 0
5. David Frost 100 100-2 7 0
6. Greg Norman 100 100-2 7 0
7. Sam Snead 100 100-2 7 0
8. Jack Nicklaus 100 100-2 7 0
9. Curtis Strange 100 100-2 7 0
10. Jay Haas 100 100-2 7 0

EARNINGS

1. Sandy Lyle 100 100-2 7 0
2. Chip Beck 100 100-2 7 0
3. Larry Wadkins 100 100-2 7 0
4. Ben Crenshaw 100 100-2 7 0
5. David Frost 100 100-2 7 0
6. Greg Norman 100 100-2 7 0
7. Sam Snead 100 100-2 7 0
8. Jack Nicklaus 100 100-2 7 0
9. Curtis Strange 100 100-2 7 0
10. Jay Haas 100 100-2 7 0

REGULATION

1. Sandy Lyle 100 100-2 7 0
2. Chip Beck 100 100-2 7 0
3. Larry Wadkins 100 100-2 7 0
4. Ben Crenshaw 100 100-2 7 0
5. David Frost 100 100-2 7 0
6. Greg Norman 100 100-2 7 0
7. Sam Snead 100 100-2 7 0
8. Jack Nicklaus 100 100-2 7 0
9. Curtis Strange 100 100-2 7 0
10. Jay Haas 100 100-2 7 0

PUTTING PER GREEN

1. Sandy Lyle 100 100-2 7 0
2. Chip Beck 100 100-2 7 0
3. Larry Wadkins 100 100-2 7 0
4. Ben Crenshaw 100 100-2 7 0
5. David Frost 100 100-2 7 0
6. Greg Norman 100 100-2 7 0
7. Sam Snead 100 100-2 7 0
8. Jack Nicklaus 100 100-2 7 0
9. Curtis Strange 100 100-2 7 0
10. Jay Haas 100 100-2 7 0

DRIVING DISTANCE

1. Sandy Lyle 100 100-2 7 0
2. Chip Beck 100 100-2 7 0
3. Larry Wadkins 100 100-2 7 0
4. Ben Crenshaw 100 100-2 7 0
5. David Frost 100 100-2 7 0
6. Greg Norman 100 100-2 7 0
7. Sam Snead 100 100-2 7 0
8. Jack Nicklaus 100 100-2 7 0
9. Curtis Strange 100 100-2 7 0
10. Jay Haas 100 100-2 7 0

DRIVING ACCURACY

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2. Chip Beck 100 100-2 7 0
3. Larry Wadkins 100 100-2 7 0
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